Cutting Red Tape

Comparing Administrative Burdens across Countries

OECD

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Foreword

Most OECD countries have developed strategies for cutting red tape in order to improve the regulatory framework for businesses. Measurement is increasingly an integral part of these programmes for administrative simplification, and convergence on a common methodology for measurement – the Standard Cost Model – can be observed. To the extent that countries are using the same methodology for measuring the administrative burden in the same sector, comparison becomes possible. This will allow countries to learn from each other through identification of good practices.

With "the Red Tape Assessment", the OECD has facilitated a study on the administrative burdens in the road freight sector in eleven member countries: Belgium, Canada, Denmark, France, Germany, Italy, the Netherlands, New Zealand, Norway, Sweden and Turkey. Each participating country was responsible for its national data collection and validation in accordance with the commonly agreed methodological framework. This exercise demonstrates that measuring and comparing administrative burdens across countries is possible, but it is not a straightforward exercise. This report covers both findings regarding differences in regulation and resulting burdens in the road freight sector, and methodological lessons learned regarding measuring and comparing administrative burdens across countries.

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Executive Summary

The viability of business activities depends on the market opportunities present, but it is also influenced by legislation, regulations and the administrative requirements governments impose in implementing public policies. The regulatory framework designed by governments is a major factor in the competitiveness of businesses. Recent years have seen efforts to gain a greater understanding of the impact of regulation as a government tool. They have also seen efforts to ensure that that tool is not poorly designed or outdated when it comes to market intervention to protect public interests.

In recent years, several OECD countries have used measurements of administrative burdens as part of their national efforts to simplify the regulatory framework. The OECD's Red Tape Assessment project (RTA)[1] was conceived to take up the challenge of using cross-country comparisons of administrative burdens for similar business activities as a tool for identifying possible simplification measures in each of the participating countries. This report presents the results of the RTA in relation to the road freight sector, focusing on specific administrative burdens for small and medium-sized enterprises (SMEs); it is based on measurements carried out between November 2005 and March 2007. Thirteen OECD member countries volunteered to participate in the RTA measurement endeavour: the United States, New Zealand, Turkey, Germany, the Netherlands, France, Denmark, Norway, Belgium, Sweden, Canada, the United Kingdom and Italy. The report uses the validated results of measurement in 11 countries.[2] The participating countries were responsible for collecting data for 17 specific indicators in accordance with a set methodology. It should be noted that the indicators selected are not exhaustive and do not cover all administrative activities imposed by the government on businesses in that sector.

How can the RTA framework contribute to national administrative simplification efforts?

In comparing measurements of administrative burdens in a specific legislative area and sector, the RTA provides both a baseline and a source of ideas for reducing those burdens. A key element here is the fine detail of the measurement. This specificity of information is particularly relevant: it enables analysis of differences in countries' administrative procedures as well as furnishing the basis for policy advice on specific legislation. Thus the value of the measurement approach lies in its potential for identifying simplification measures.

The RTA methodology is a slightly adapted version of the Standard Cost Model (SCM). The SCM was designed in the Netherlands to measure the administrative consequences for businesses when they comply with legislation. The RTA and the SCM methods both take a pragmatic approach to measurement. They are not based on classical statistical

methodology, but rather generate indicative proxies on administrative burdens that are consistent across policy areas.

The idea behind the method is to interview typical businesses to ascertain the amount of time and money they spend on performing administrative activities that are necessary to comply with regulation. Based on the interviews, the time it takes a normal efficient business to comply with an information obligation was generated. A "normal efficient business" is defined as a business within the target group that handles its administrative tasks neither better nor worse than may be reasonably expected. These information obligations could, for example, involve providing statistical reports to government or informing employees of their employment conditions/contracts. The time identified is based on an assumption of full compliance, meaning that the legislation is followed as required.

Each information obligation is broken down into a range of manageable components. Thus for example, interviews with businesses to establish the time it takes them to apply for a national licence to conduct road freight will strictly define what needs to be done to submit information confirming good repute.

It should be noted that the measurement and analysis focus essentially on the administrative activities that must be carried out to comply with regulation. The policy objectives of the regulation do not come into play – that is to say, whether the objective of the regulation itself is reasonable or not is not included in the measurement. The measurement gives an evidence-based description and overview of the administrative burdens on businesses.

The conceptual RTA framework can be described as a four-step approach intended to lead to the formulation of policy advice (see Table 1.1 in Chapter 1). The different steps are naturally linked to each other meaning that work carried at one level will impact on the others and the elaborateness of their potential.

The first step considers the selection of the area and the indicators to be studied. This step is essential to identify a comparable ground. Countries then collect the necessary data by interviewing businesses on the time it takes them to comply in the identified area. This step focuses on the level of national administrative burdens. In the third step a comparison of the national data is carried out in order to identify where countries differ from each other. The final step analyses differences to identify policy advice that can be used to reduce administrative burdens.

Results of the Red Tape Assessment: inspiration and input for national administrative simplification

The analysis shows country differences in the road freight sector in terms of time spent by a business to provide information to comply with certain administrative obligations imposed by governments. For example, applying for certain types of permits and licences, providing statistical reports to government and informing employees of their employment conditions/contracts. In general, the overall results on administrative burdens across countries matched the findings of other studies carried out by the World Bank, the World Economic Forum and the OECD.

The analysis shows several examples of good practice. Comparative indicators showed that in Nordic countries, businesses generally spend little time on compliance. Key findings enabling businesses to save time are listed below.

Data sharing between authorities and ICT solutions: ways to reduce administrative burdens

Information and communication technologies (ICT) can help simplify administration in relation to licences and statistical reporting, since it involves simpler and more efficient use of information. Not all countries have full access to digital services, but even so many already have options to obtain the necessary forms and information via the Internet. All the applications analysed in this study are fully digital in Denmark: they can both be found and submitted electronically.

Use of intragovernmental data sharing has also proved an effective way for businesses to reduce administrative burdens in the road freight sector. The reuse of information across government agencies is in many situations supported by ICT infrastructures to ensure an effective and secure exchange of data. In the case of application for certain licences to conduct national road freight, both Denmark and Sweden allow the authorities to share data on, for example, financial standing and good repute. Thus businesses do not need to handle duplicate tasks.

Minimising the use of additional national requirements

The analysis shows that some countries have introduced additional regulatory requirements to supplement what is commonly required across countries. Minimising the use of additional requirements, especially if these are not warranted, would provide an opportunity to reduce administrative burdens. However, the justification for additional requirements is a national question and needs to be addressed where relevant.

Renewal of licences is not required in all countries

It is not an obligation in all participating countries to have renewal of licences. For example, in New Zealand there is no obligation to renew a national licence for conducting road freight: it is granted for a lifetime. The licence may be reviewed only in the case of severe breaches.

In the European Union however, renewal of the national licence is regulated at the supranational level, and is generally required every five years. Nevertheless, means exist in Europe to reduce the frequency of renewals and thus minimise the administrative burdens. In Belgium, the authorities automatically renew licences. In Germany, businesses only have to renew once; after that, the licence is granted for life. In order to introduce the New Zealand system of a lifetime licence at the European level, simplification attempts would have to be addressed at a supranational level.

Towards a simpler licence system for EU and national licences

The parallel systems of national and EU licences raise the question of whether procedures could be simplified, as the same type of information is often requested. This information, provided by businesses, could simply be reused. In Denmark for example, an identical application procedure was introduced, and businesses only have to tick one box if they want to apply for an EU licence.

Some countries have introduced a single licence system to minimise the impact of the information obligations. Instead of having to apply for both a national and an EU licence, businesses are requested to own just one. In Germany, the EU licence can be used as a substitute for the national licence, which explains why the number of EU licence applications is higher than that of national licence applications. The Netherlands has provisioned a single licence system for businesses to avoid additional application procedures. EU countries would probably have to address this issue at European level, since the obligations originate from supranational legislation.

Non- or insufficient compliance could signal a need for simplification

Feedback has been received on compliance with certain information obligations. Several countries have stated that businesses do not always comply with the letter of the law, for example in relation to an information obligation such as statistical reporting. The question of compliance would require a detailed understanding of the context of the regulation, which has not been part of the current study. However, the notion of less-than-full compliance merits attention, because it might indicate a need for simplification. Such a situation might occur when people do not see the connection between the technical rules and their substantive purpose, are not aware that they are affected, or do not have the ability to comply.

The RTA has also been a methodological learning exercise

The RTA project on measuring burdens in the road freight sector was undertaken as a learning exercise and a pilot project. Part of its objective was to develop a methodology for measuring and comparing administrative burdens. In order to ensure a common approach in the implementation of the method, a manual was designed at the outset of the project. However, as this was a pilot project, it has also been possible to identify a number of areas for improvement. Further optimising of the RTA framework and organisation could lead to more sophisticated policy advice for administrative simplification.

One of the main learning points from the pilot project relates to defining the indicators and administrative processes to be measured and compared (Step 1). It was decided to exclude a set of indicators from cross-country comparisons, since the information available either suggested or clearly showed a lack of indicator comparability. Out of 17 indicators initially selected, only eight allowed comparative analysis. Several elements caused comparative differences in the information obligations examined, for example related to demarcation or the lack of national data on the number of affected businesses (population). Improving the selection of indicators and the demarcation would have an impact on the potential results of the study.

Each participating country was responsible for their national data collection and validation in accordance with the RTA framework. The national organisational setup influences how relevant stakeholders can be involved in validating data. However, the participating countries experienced a variety of challenges, sometimes in terms of both data collection and validation. For one country the data are not part of the analysis because they could not be validated. Having a good organisational setup can enhance the quality of results, because it helps timely decision making and ensures the involvement of the necessary expertise.

The implementation of the RTA framework and the measurement process has shown that measuring and comparing administrative burdens is possible – but also that it is not a straightforward exercise. The challenges relate to issues such as standardisation, identifying a population for each indicator, demarcation of indicators, organisation and timeliness. Organisation and implementation of the measurements are, in that respect, essential to ensure high-quality data.

To address the challenges met during the project more systematically, an academic advisory group was established. The group addressed the challenges by taking into account the specific comments and experiences submitted by the participating countries. Based on this, the group was commissioned to give recommendations for improving the RTA method and framework.[3]

In summary, the papers produced by the group conclude that the method can be used for comparing administrative burdens across countries and can produce credible results, when followed consistently across countries. However, certain improvements are suggested concerning the general and national organisation, aligning ambitions with reality by identifying a "good enough" methodology and enhancing the understanding of that methodology, especially in relation to carrying out the interviews with businesses.

Notes

1. The project was formerly known as the Red Tape Scoreboard. As the OECD wants to reserve the Scoreboard label to publications building on solid indicators covering most or all member countries, and as this project can only be seen as a first step on the path towards building such indicators for administrative burdens, it was decided to rename the project to Red Tape Assessment (RTA).
2. New Zealand, Turkey, Germany, the Netherlands, France, Denmark, Norway, Belgium, Italy, Sweden, Canada. For various reasons, such as management transition, the United Kingdom and the United States were not able to carry out and finalise the measurements for the report.
3. The papers produced by the Academic Advisory Group were presented to the Working Party on Regulatory Management and Reform on 3 May 2007. Three papers had been commissioned to cover the following topics: 1) reliability, 2) validity and 3) organisation and objectives. However, the paper on reliability was not produced.

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Résumé

La viabilité des activités des entreprises dépend certes des débouchés existant sur le marché, mais elle est aussi déterminée par la législation et la réglementation, en particulier par les obligations administratives qu'imposent les pouvoirs publics pour mettre en œuvre leurs politiques. Le cadre réglementaire que ceux-ci définissent joue un grand rôle dans la compétitivité des entreprises. Des analyses ont été effectuées ces dernières années pour mieux cerner l'impact de la réglementation en tant qu'instrument des pouvoirs publics. Des efforts ont aussi été faits pour s'assurer que cet instrument n'était pas mal conçu ou dépassé lorsqu'il y avait intervention sur les marchés dans le but de protéger l'intérêt général.

Dans le cadre des efforts qu'ils déploient au niveau national pour simplifier le cadre réglementaire, plusieurs pays de l'OCDE ont entrepris, au cours de ces dernières années, de mesurer la charge administrative imposée par celui-ci. L'objet du projet de l'OCDE sur l'évaluation de la charge administrative est d'accomplir la tâche délicate d'effectuer une comparaison internationale de la charge administrative qui pèse sur des entreprises ayant des activités analogues et d'en utiliser les résultats pour mettre en lumière des mesures possibles de simplification des procédures administratives pour chacun des pays participants. Ce rapport présente les résultats de l'évaluation consacrée au secteur du transport routier de marchandises, qui a porté tout particulièrement sur la charge administrative imposée aux petites et moyennes entreprises (PME), laquelle a été mesurée entre novembre 2005 et mars 2007. Treize pays membres de l'OCDE ont accepté de prendre part à ce premier exercice d'évaluation, à savoir les États-Unis, la Nouvelle-Zélande, la Turquie, l'Allemagne, les Pays-Bas, la France, le Danemark, la Norvège, la Belgique, la Suède, le Canada, le Royaume-Uni et l'Italie. L'analyse prend appui sur les résultats qui ont été validés, ce qui a été le cas pour 11 pays.[1] Les pays participants ont été chargés de recueillir les données correspondant à 17 indicateurs précis selon une démarche méthodologique bien déterminée. Il convient de noter que la liste des indicateurs retenus n'est pas exhaustive et ne recouvre donc pas l'ensemble des formalités administratives imposées par les pouvoirs publics aux entreprises du secteur considéré.

En quoi le cadre d'évaluation de la charge administrative peut-il faciliter les efforts nationaux de simplification des procédures administratives ?

À travers la comparaison de la charge administrative imposée dans un domaine particulier de la législation et dans un secteur donné, le projet permet de dégager à la fois des éléments de référence et des idées pour alléger cette charge. L'un des aspects

fondamentaux de la démarche suivie ici est le degré élevé de précision de la mesure. Le caractère très détaillé des informations obtenues est particulièrement utile pour analyser les différences de procédures administratives entre pays, ainsi que constituer l'assise nécessaire à la définition d'orientations sur tel ou tel texte de loi. L'intérêt de cette démarche réside donc dans les possibilités qu'elle offre de mettre en évidence des moyens de simplifier les procédures administratives.

La méthodologie du projet sur l'évaluation de la charge administrative est une version légèrement adaptée du modèle des coûts standard (MCS). Ce dernier a été conçu aux Pays-Bas en vue de mesurer l'incidence que peut avoir le respect de la loi par les entreprises sur la charge administrative qui pèse sur elles. La méthodologie du projet et le MCS s'inscrivent tous deux dans une approche pragmatique de la mesure. Ils ne reposent pas sur une démarche statistique classique, mais servent plutôt à produire des valeurs indicatives de la charge administrative qui sont cohérentes d'un domaine d'action à l'autre.

L'approche méthodologique suivie a consisté à interroger les responsables d'entreprises types de façon à déterminer combien de temps et d'argent ils consacraient aux formalités administratives qu'impose le respect de la réglementation. Ces entretiens ont permis de cerner le temps nécessaire à une entreprise normalement efficiente pour s'acquitter d'une obligation d'information. On entend par « entreprise normalement efficiente » une entreprise du groupe cible qui n'accomplit ses tâches administratives ni mieux ni moins bien que ce que l'on peut raisonnablement escompter. Quant à l'obligation d'information, il peut s'agir, par exemple, d'établir un rapport statistique à l'intention des pouvoirs publics ou d'informer les salariés au sujet de leurs conditions d'emploi/contrat de travail. Le calcul du temps passé repose sur l'hypothèse selon laquelle il y a respect absolu des obligations d'information imposées, c'est-à-dire que la loi est appliquée comme il convient.

L'exécution de chaque obligation d'information est décomposée en un ensemble d'éléments gérables. Par exemple, les entretiens réalisés auprès des entreprises en vue de déterminer le temps qu'il leur faut pour faire une demande d'autorisation nationale de transport routier de marchandises viseront à cerner de façon très précise les actes à accomplir en vue de réunir les informations nécessaires pour confirmer la bonne réputation de l'entreprise.

Il convient de noter que la mesure et l'analyse portent essentiellement sur les tâches administratives à accomplir pour respecter la réglementation. Les objectifs visés par cette dernière n'entrent pas en ligne de compte ; autrement dit, l'évaluation ne prend pas en considération la question de savoir s'il s'agit ou non d'objectifs raisonnables. À partir d'observations factuelles, celle-ci permet de décrire la charge administrative qui pèse sur les entreprises et d'en dégager une vue d'ensemble.

Le cadre conceptuel de l'évaluation de la charge administrative distingue quatre étapes dans le processus destiné à aboutir à la définition d'orientations à l'intention des pouvoirs publics (voir tableau 1.1, chapitre 1). Il existe entre ces différentes étapes un lien naturel, ce qui signifie que les travaux effectués à un niveau influeront sur ceux des autres niveaux et sur l'éventail des possibilités qu'ils créeront.

La première étape consiste à choisir le domaine et les indicateurs à examiner. Elle est essentielle pour déterminer un champ d'étude comparable. Les pays procèdent ensuite à la collecte des données requises en interrogeant les responsables des entreprises sur le temps dont ils ont besoin pour s'acquitter des obligations imposées dans le domaine considéré. Cette étape porte essentiellement sur l'importance de la charge administrative

nationale. Au cours de la troisième étape, une comparaison des données nationales est effectuée en vue de déterminer en quoi les pays se distinguent les uns des autres. La dernière étape est consacrée à l'analyse des différences dégagées, le but étant de définir des orientations pour l'action visant à réduire la charge administrative.

Résultats de la première évaluation de la charge administrative : une source d'inspiration pour les efforts nationaux de simplification des procédures administratives

L'analyse fait apparaître des différences entre les pays s'agissant du temps qu'il faut à une entreprise du secteur du transport routier de marchandises pour fournir les informations liées à l'exécution de certaines obligations administratives prescrites par les pouvoirs publics, comme la demande de certains types d'autorisations, l'établissement de rapports statistiques à l'intention des pouvoirs publics ou l'information des salariés sur leurs conditions d'emploi/contrat de travail. Toutefois, certains indicateurs ne sont pas valables pour les pays non européens étant donné que la législation de l'UE ne leur est pas applicable. En règle générale, les résultats concernant la charge administrative imposée dans les différents pays sont dans l'ensemble conformes aux conclusions d'autres études effectuées sur le sujet par la Banque mondiale, le Forum économique mondial et l'OCDE.

L'analyse a permis de mettre en lumière plusieurs exemples de bonnes pratiques. Les indicateurs comparatifs ont ainsi montré que, dans les pays nordiques, les entreprises consacrent généralement peu de temps aux formalités administratives. Les principaux procédés qui permettent à ces dernières de réaliser des gains de temps sont énoncés ci-dessous.

L'échange de données entre les administrations et les solutions offertes par les TIC : des moyens de réduire la charge administrative

Les technologies de l'information et de la communication peuvent aider à simplifier les tâches administratives liées à la demande d'autorisations et à la fourniture de données statistiques car elles permettent de faire une utilisation plus simple et plus efficace de l'information. Les pays ne sont pas tous dotés de services entièrement informatisés, mais dans bon nombre d'entre eux, il existe déjà des possibilités d'obtenir les formulaires et les renseignements nécessaires par le biais de l'Internet. Tous les formulaires de demande examinés pour les besoins de la présente étude sont totalement numérisés au Danemark, c'est-à-dire qu'il est possible à la fois d'y accéder et de les transmettre par voie électronique.

L'échange de données entre les administrations apparaît aussi comme un moyen efficace de réduire la charge administrative qui pèse sur les entreprises du secteur du transport routier de marchandises. L'utilisation des mêmes informations par plusieurs administrations s'appuie dans bien des cas sur des infrastructures des TIC conçues pour assurer en toute sécurité un échange efficace des données. S'agissant de la délivrance de certaines autorisations pour le transport routier intérieur de marchandises, aussi bien le Danemark que la Suède permettent aux instances compétentes d'échanger des informations, par exemple, sur la situation financière et la réputation des entreprises demandeuses. Ces dernières n'ont donc pas besoin d'accomplir plusieurs fois les mêmes démarches.

Réduire au minimum les obligations nationales supplémentaires

Il ressort de l'analyse que certains pays ont instauré des obligations réglementaires qui s'ajoutent à celles qui sont généralement imposées dans l'ensemble des pays. Réduire au minimum ces obligations supplémentaires, surtout si elles ne sont pas justifiées, permettrait d'alléger la charge administrative. Toutefois, leur bien-fondé est une question qui relève du pays concerné et qui doit être examinée s'il y a lieu.

Le renouvellement des autorisations n'est pas obligatoire dans tous les pays

Tous les pays participants n'imposent pas le renouvellement des autorisations. Par exemple, en Nouvelle-Zélande, l'autorisation nationale de transport routier de marchandises est accordée à vie et n'a donc pas besoin d'être renouvelée. Le retrait de l'autorisation ne peut être envisagé qu'en cas de grave infraction à la loi.

Toutefois, en Europe, le renouvellement de l'autorisation nationale est régi par une réglementation supranationale qui le rend généralement obligatoire tous les cinq ans. Il existe néanmoins des moyens d'atténuer la fréquence des renouvellements et de réduire ainsi au minimum la charge administrative. En Belgique, le renouvellement des autorisations est automatique. En Allemagne, les entreprises ne doivent les renouveler qu'une fois, après quoi elles leur sont acquises à vie. Pour pouvoir instaurer au niveau européen le système néo-zélandais de l'autorisation à vie, il faudrait que le problème de la simplification des procédures administratives soit traité à l'échelon supranational.

Vers une simplification du système de délivrance des autorisations communautaires et nationales

L'existence de deux systèmes parallèles respectivement pour les autorisations nationales et les autorisations communautaires conduit à s'interroger sur la possibilité de simplifier les procédures, étant donné que dans les deux cas il y a souvent demande du même type d'informations. Ainsi, une fois fournies par les entreprises, ces dernières pourraient tout simplement être réutilisées. Au Danemark, par exemple, une procédure unique de demande a été instaurée, de sorte que les entreprises n'ont à cocher qu'une seule case pour solliciter une autorisation communautaire.

Certains pays ont adopté un système d'autorisation unique en vue de réduire au minimum l'impact des obligations d'information. Au lieu d'avoir à demander une autorisation nationale et une autorisation communautaire, les entreprises ne sont tenues de n'en solliciter qu'une seule. En Allemagne, l'autorisation communautaire peut se substituer à l'autorisation nationale, ce qui explique pourquoi le nombre de demandes d'autorisations communautaires y est supérieur à celui des demandes d'autorisations nationales. Les Pays-Bas ont mis en place un système d'autorisation unique afin d'éviter aux entreprises un surcroît de formalités. Les pays de l'UE devront sans doute traiter cette question au niveau européen car les obligations imposées relèvent de la législation supranationale.

Le non-respect ou un respect insuffisant des obligations d'information pourrait signifier qu'une simplification des procédures administratives s'impose

Des renseignements ont été fournis sur le respect de certaines obligations d'information. Plusieurs pays ont ainsi déclaré que les entreprises n'appliquent pas toujours la loi à la lettre, par exemple lorsqu'il s'agit de fournir des données statistiques. L'examen de la question du respect des obligations d'information exigerait une analyse approfondie du contexte dans lequel s'inscrit l'application de la réglementation y afférente, ce qui sortait du champ de l'étude. Toutefois, un respect insuffisant de ces obligations mérite de retenir l'attention car il peut témoigner de la nécessité de simplifier les procédures administratives. Il peut être constaté lorsque les intéressés ne saisissent pas bien le lien entre une règle technique et son objectif fondamental, ignorent qu'ils sont concernés ou ne sont pas en mesure d'accomplir la formalité considérée. Compte tenu des motifs dégagés pour expliquer cette situation, il y aurait peut-être intérêt à simplifier les procédures administratives.

L'évaluation de la charge administrative constitue aussi un exercice d'apprentissage méthodologique

Le projet sur l'évaluation de la charge administrative appliqué au secteur du transport routier de marchandises a été réalisé comme un exercice d'apprentissage et à titre expérimental. Il avait en partie pour but de définir des méthodes pour la mesure et la comparaison de la charge administrative. Afin que l'application de ces méthodes s'inscrive dans une approche commune, un manuel a été conçu dès le début du projet. Cependant, comme ce dernier avait un caractère expérimental, il a également été possible de mettre en lumière un certain nombre de lacunes. Une amélioration du cadre de l'évaluation et de l'organisation de celle-ci pourrait permettre de dégager des orientations plus fines pour l'action visant à la simplification des procédures administratives.

Parmi les principaux volets de ce projet pilote qui ont été source d'enrichissement des connaissances figure la définition des indicateurs et des formalités administratives à mesurer et à comparer (première étape). Il a été décidé d'exclure de la comparaison internationale un ensemble d'indicateurs car les informations disponibles laissaient penser ou montraient clairement qu'ils n'étaient pas comparables. Sur les 17 indicateurs initialement retenus, seuls huit se prêtaient à une analyse comparative. Plusieurs éléments étaient à l'origine de différences dans les obligations d'information considérées, dont certains touchaient, par exemple, à la délimitation ou à l'absence de données nationales sur la population des entreprises. L'amélioration de la sélection des indicateurs et de la délimitation influerait par conséquent sur les résultats potentiels de l'étude.

Chaque pays participant était chargé de recueillir les données le concernant et de les valider conformément au cadre d'évaluation. La façon dont un pays organise cet exercice détermine les modalités selon lesquelles les parties prenantes peuvent être associées à la validation des données. Cependant, les pays participants ont été confrontés à tout un éventail de problèmes qui ont parfois concerné aussi bien la collecte des données que leur validation. Les données relatives à l'un des pays n'ont pas été prises en compte dans l'analyse faute d'avoir pu être validées. Une bonne organisation peut améliorer la qualité

des résultats car elle aide à prendre les décisions requises en temps voulu et garantit la possibilité de faire appel aux compétences nécessaires.

L'application du cadre d'évaluation de la charge administrative et l'exercice de mesure ont montré que, si l'appréciation et la comparaison de cette charge ne sont pas chose aisée, elles sont possibles. Les problèmes qui se posent à cet égard concernent, par exemple, la normalisation, la définition d'une population d'entreprises pour chaque indicateur, la délimitation des indicateurs, l'organisation et la possibilité d'agir en temps opportun. La façon dont les activités de mesure sont organisées et exécutées est à cet égard essentielle pour garantir l'obtention de données de qualité.

Afin d'étudier de manière plus systématique les problèmes rencontrés au cours du projet, a été mis en place un groupe consultatif qui a entrepris d'accomplir cette tâche en tenant compte des commentaires et des données d'expérience expressément communiqués par les pays participants. Il a ensuite été chargé de dégager de cet exercice des recommandations qui permettent d'améliorer les méthodes d'évaluation de la charge administrative et le cadre y afférent[2].

En résumé, il ressort des documents élaborés par le groupe consultatif que, dans l'ensemble, ces méthodes peuvent être utilisées pour comparer la charge administrative existant dans différents pays et permettre d'obtenir des résultats crédibles si elles sont appliquées de façon cohérente pour tous les pays participants. Cependant, il est jugé souhaitable d'effectuer certaines améliorations en ce qui concerne l'organisation en général et au niveau national, en adaptant les objectifs visés à la réalité par la définition d'une méthodologie « acceptable » et en s'attachant à bien maîtriser celle-ci, surtout pour la réalisation des entretiens auprès des entreprises.

Notes

1. Nouvelle-Zélande, Turquie, Allemagne, Pays-Bas, France, Danemark, Norvège, Belgique, Italie, Suède et Canada. Pour des raisons diverses, comme un changement de personnel de direction, le Royaume-Uni et les États-Unis n'ont pas été en mesure de mener l'évaluation à bonne fin pour les besoins du rapport.
2. Les documents rédigés par le groupe consultatif ont été présentés le 3 mai 2007 au Groupe de travail sur la gestion de la réglementation et de la réforme réglementaire. Trois documents avaient été demandés respectivement sur les thèmes suivants : 1) la fiabilité ; 2) la validité ; 3) l'organisation et les objectifs. Mais le document sur la fiabilité n'a pas été élaboré.

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Cutting Red Tape:
Comparing Administrative Burdens across Countries

Introduction

Across the OECD area, governments are placing emphasis on reforming and reviewing regulation. Their efforts are contributing to a transparent administration and a competitive business environment, one where the cost of doing business is low.

Regulation, as well as defining rights and obligations, can represent costs to the economy. Further, businesses stress that excessive regulation and red tape affect their performance (OECD, 2001). By measuring red tape, light can be shed on the administrative burdens related to regulation and on elements that might be altered to reduce them in order to obtain a more efficient and effective level of regulation. Of course, administrative burdens should always be considered in balance of objectives and the broader context of the legislation.

In recent years several OECD member countries have been quantifying administrative costs on the basis of available evidence (OECD, 2006) in order to focus their strategies for reducing the burden. The Red Tape Assessment project (RTA) intends to take these strategies a step further through a detailed measuring[1] of the administrative cost faced by businesses and subsequent comparison of findings across OECD countries.

Cross-country comparisons should add an extra dimension to the national efforts to reduce administrative burdens. Not only are governments able to compare their obligations with other countries – they can also find inspiration and ideas on reducing administrative burden. The RTA pilot study has a twofold ambition. It intends to develop a method to measure and compare administrative burdens across OECD countries and to test the ability of this methodology to generate policy advice for simplification initiatives. The subject of the current RTA project is road freight, a key sector of the economy that plays a major role in market integration and greatly influences transaction cost. Further, the sector itself is expected to contain similarities across countries. The focus has been narrowed to two events: "hiring of a worker" and "operating a vehicle during a year". In this exercise, seventeen specific information obligations (indicators) were selected for analysis. It should be noted that the selected indicators do not cover all administrative activities imposed by government on businesses in the road freight sector.

Thirteen OECD member countries[2] volunteered to participate in the measurements. Of these, several already had experience in measuring administrative burdens at national level via the Standard Cost Model (SCM). The current report is based on the measurements received from eleven countries.[3] For various reasons, such as a transition in management, two – the United States and the United Kingdom – were not able to carry out the measurements for the RTA pilot project.[4]

The RTA project illustrates the basis for carrying out comparative analysis based on data gathered via a slightly adapted version of the Standard Cost Model. The analysis also

identifies some challenges and limits of the endeavour. It draws on the data gathered by the participating countries in accordance with the RTA framework.[5]

The study looks at specific indicators linked to the events, addressing only the aspect of administrative burdens. One such indicator relates to the conditions met by businesses when they wish to apply for a licence to conduct road freight transport; the RTA framework should give an idea of the time it takes to meet those conditions. The information will clarify which requirements are the most time consuming and what the aggregate impact is. And, comparing data, it is possible to identify where countries differ. These answers constitute valuable input for national simplification efforts. The RTA pilot study identifies several good practices and potential ways to reduce administrative burdens.

The RTA project on measuring burdens in the road freight sector should be considered part of a learning exercise, and a pilot project. Optimising further the RTA framework and the organisation of the project could lead to more sophisticated policy advice. Such improvements, as well as the recommendations presented by the academic advisory group to the RTA, should be considered before proceeding with a project like the RTA.[6]

Notes

1. The methodology is a marginally adjusted version of the Standard Cost Model, used in several OECD member countries for measuring administrative burdens. For more information on the SCM approach see the manual and the web page of the international SCM network: *www.administrativeburdens.com*.
2. The United States, Canada, New Zealand, Turkey, the Netherlands, Germany, the United Kingdom, France, Denmark, Italy, Belgium, Norway and Sweden.
3. New Zealand, Turkey, Germany, the Netherlands, France, Denmark, Norway, Belgium, Sweden, Italy and Canada.
4. Due to time constraints and domestic changes Italy has only measured some of the selected indicators in the study.
5. Canada's data are not included, at the country's own request.
6. For further information on the discussion and recommendations for the RTA methodology the academic group has presented a paper addressing the issue of validity; the question of organisation is also raised (see Part II).

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PART I

Conducting the Red Tape Assessment

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Cutting Red Tape:
Comparing Administrative Burdens across Countries

PART I

Chapter 1

The Red Tape Assessment – A Way to Simplify Administration

This chapter outlines the methodology for the Red Tape Assessment which is adapted from the Standard Cost Model. This is an accounting methodology used to build up a proxy for the costs of administrative burden (principally information obligations) imposed by regulation based on the time that it takes "a normally efficient business". This is then applied across the population of the business sector to which it applies. The outcomes can then be compared across countries to identify the relative burdens and opportunities for simplifying and reducing the administrative burdens in each country.

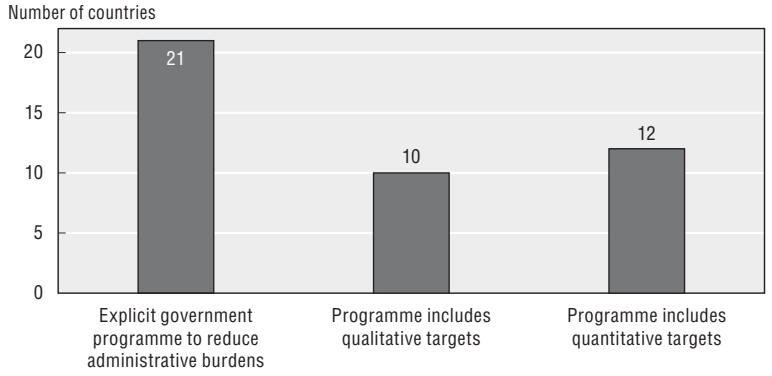
Reducing administrative burdens

Cutting red tape is on the agenda across OECD member countries as part of the broader aims of enhancing performance and productivity. Outdated or poorly designed regulation can hinder businesses and their economic efficiency; reducing their administrative burdens will help remove barriers to trade, investment and entrepreneurship. Cutting red tape should, however, always be considered in relation to other effects and benefits of regulation. It is not a stand-alone exercise to be considered synonymous with deregulation, but rather should be seen as a way to promote responsible or smarter regulation (OECD, 2007).

The latest OECD report on administrative simplification strategies (OECD, 2006) states that the efforts to reduce administrative burdens are being increasingly integrated into overall regulatory quality systems. Indeed such efforts form an important part of many national simplification programmes. Generally, the main focus has been on burdens for businesses, and measurements have been introduced in many countries to grasp the extent and sources of the challenge to be met. It has often been mentioned that "what gets measured gets done". As Figure 1.1 shows, 21 OECD countries have reported government programmes to reduce administrative burdens, and 12 have introduced quantitative reduction targets

.

Figure 1.1. **Number of countries with programmes to reduce administrative burdens**



Source: Jacobzone, S., *et al.* (2007), "Quality Indicators of Regulatory Management Systems", *OECD Working Papers on Public Governance*, No. 4, Paris.

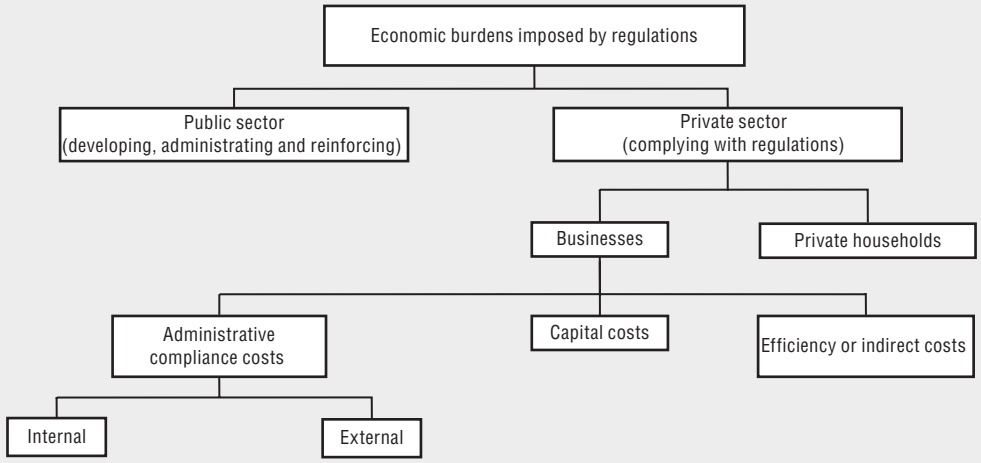
In many countries, the measurement is done using the so-called Standard Cost Model (or SCM) method developed in the Netherlands. In 2003, an informal network in Europe – the SCM Network – was formed by countries committed to using the same methodological approach when measuring administrative burdens. This network has expanded over time; in December 2006 it consisted of Austria, Belgium-Flanders, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Ireland, Italy, Latvia,

Luxembourg, the Netherlands, Norway, Poland, Sweden and the United Kingdom (see *www.administrative-burdens.com*).

Focusing on administrative burdens

It is clear that administration is not the only burden of regulation met by businesses. Administrative burdens concern the regulatory costs when asking for licences, filling out forms, and reporting and meeting notification requirements for the government. Apart from these, businesses also sometimes have to pay certain fees or invest in specific equipment. The different ways regulation can affect individual businesses and the market is illustrated in Box 1.1.

Box 1.1. **Ways regulation can affect businesses and markets**



Source: Adapted from Jacobs, Scott, *et al.* (1997), "Regulatory quality and public sector reform", in OECD (1997), *The OECD Report on Regulatory Reform: Thematic Studies*, Paris.

The administrative compliance costs include time and money spent on formalities and paperwork necessary to follow regulations. Indirect or dynamic costs are encountered when regulations reduce the productivity and innovativeness of businesses, which can be difficult to measure. Capital costs are the costs for specific investments.

The RTA method focuses on the identification and quantification of the administrative burdens encountered by business due to government legislation. In the RTA methodology, *administrative burdens are the costs imposed on businesses when complying with information obligations stemming from government regulation*.

"Regulation" should here be understood as legally binding documents, such as laws, acts, orders etc. "Government" includes all bodies that are principally controlled and financed by the national government itself. Interest organisations, international institutions, etc., are not considered. International rules and conventions are only taken into account if they are implemented nationally, or if they regulate the national businesses. Thus for the European countries, EU directives and EU regulations come into play. "Voluntary rules" – meaning rules that only apply when a company chooses to engage in a certain activity – are included, because a business can be confronted with costs for

supplying information as a result of legislation or regulations of a voluntary nature. It can be considered voluntary to apply for a licence to conduct road freight transport, but if the business decides to work in the sector it is legally compelled to supply the information.

No distinction is made between administrative *burdens* and administrative *costs*,[1] since the method measures the impact on businesses of government regulation. However, in certain situations some businesses might continue with specific administrative activities in the absence of regulation. An example might be bookkeeping, because it could be seen as a necessity in the day-to-day management of a business. Administrative tasks carried out by businesses that do not relate to fulfilling governmental obligations are not included in the definition.

What is the Red Tape Assessment?

The Red Tape Assessment analyses and compares administrative burdens on businesses across OECD countries. As it is the first of its kind, the RTA is to be considered a pilot project of interest for the methodology employed as well.

The objectives set out for the recent pilot study have been defined as follows:

- To develop a methodology to measure and compare administrative burdens across OECD countries.
- To establish benchmarks of selected administrative burdens in OECD countries.
- To analyse reasons for cross-country differences in administrative burdens, with a view to providing policy advice and identifying best practices on burden reduction strategies.
- If continued, the project will enable the establishment of time series and further benchmarks for administrative burdens in OECD countries.

The main analytical questions that the Red Tape Assessment tries to address in relation to the needs of governments can be phrased briefly as follows:

- What is the national level of administrative burdens on specific indicators?
- Where do countries differ?
- What can be learned from other countries in order to simplify/why do countries differ?

The first question focuses on measuring the administrative burdens to obtain some kind of evidence of their level in each country. The second question addresses the comparison of data across countries to identify whether there are differences in levels. The last question tries to identify the lessons that can be learned from such differences, so that countries may gain policy advice on simplification.

The rest of the chapter will describe the RTA's conceptual framework for answering the analytical questions. Included is a description of the RTA methodology and a discussion of its use for simplification. It should be noted that the aim at this point is not to discuss the practical challenges that might be encountered when implementing the methodology and carrying out the measurements, since this is done elsewhere.[2]

The RTA methodology

The overall methodological set-up is described in the RTA manual (Annex B4; Annexes B1, B2, B3 and B4 are available on *www.oecd.org/regreform*). In order to evaluate the methodological approach an advisory group consisting of academics was established. This group was asked to look at the challenges and critics raised by participants in the project

so as to provide suggestions and recommendations for improving the methodology and its implementation.[3]

The RTA methodology is based on a marginally adapted version of the Standard Cost Model (SCM). The SCM was designed to measure the administrative consequences for businesses, when complying with legislation. The RTA and SCM are not based on a classical statistical approach (OECD, 2007), but should be seen as a way to generate proxies on administrative burdens that are consistent across policy areas.

A key element of the RTA method is that it goes into a high level of detail in measuring administrative burdens, especially at the level of individual activities. This kind of information is particularly relevant in analysing differences as well as in helping form targeted policy advice on specific legislation. Accordingly the relevance in the measurement lies in its potential for simplification.

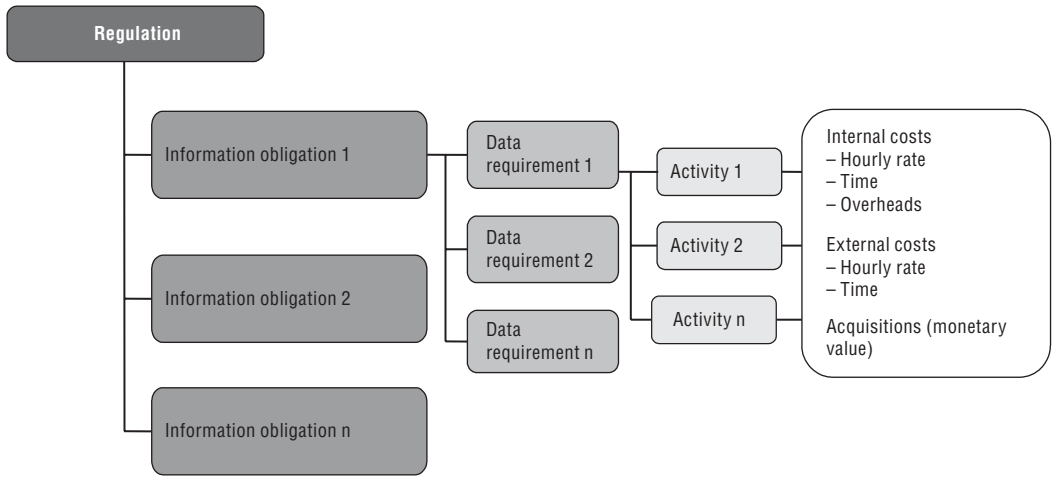
Information obligations and their breakdown

In the RTA method, regulation is broken down into a range of manageable components that can be measured. The policy objectives of the regulation, important though they are, are not part of the measurement, which focuses only on the administrative activities that must be performed in order to comply with regulation. As such, views on whether the regulation itself is reasonable or not are not included either. The measurement gives an evidence-based description and overview of the administrative burdens on businesses.

The regulation is broken down into sub-elements in order to identify the time spent by businesses. As Figure 1.2 illustrates, there are three levels for measurement: information obligations, data requirements and activities.

Regulation consists of different *information obligations*. These are defined as obligations on the part of businesses to provide information and data to the public sector or to third parties. Information obligations can arise from a passage in a law or they can be explicit, set forth in a regulation's text. Applying for a permit for special transport and reporting statistical data to authorities are examples of information obligations.

Figure 1.2. **Breakdown of regulation**



Source: SCM Network (2005), *International SCM Manual*.

Every time businesses have to provide information to the public authorities, what they are providing consists of a number of *data requirements*. When applying for a national licence a business might, for example, have to present information on the business (name, address, etc.), proof of good financial standing, proof of good repute, and professional competence to follow the relevant rules.

Data requirements can be either identical across countries or particular to a given country or countries. An identical data requirement is, for example, information on professional competence that businesses in most countries have to present when applying for a national licence. However, in one country the businesses might also be required to provide information on for example, the number of "green" or environmentally friendly vehicles.

In order to provide the different kinds of required information to the authorities the businesses carry out a number of *activities*. These are linked to the time and resources businesses consume in providing the information necessary to comply with a given data requirement. There are 16 different standard administrative activities, which are defined in Annex B4.

For example, if a business wants to apply for a national licence, it might first have to spend some time becoming familiar with the form. Then the business might have to gather particular information and send it to the relevant authority. If this is the process, the business would have to perform the activities of familiarisation, information retrieval and reporting/submitting information.

Time is found for the normally efficient business (T)

The basic idea behind the method is to interview typical businesses about how much time and money they spend on performing administrative activities necessary for compliance with a regulation. By summing up the time spent from the lower-level activities for each of the data requirements, the total time spent on the information obligation is obtained.

The method focuses on the time spent by *the normally efficient business* as the basis for data collection and the analysis. The normally efficient business – a concept related to procedures of standardisation and normalisation – is defined as a business within the target group that handles its administrative tasks neither better nor worse than may be reasonably expected. The measurements do not therefore include businesses that, for various reasons, are either particularly efficient or inefficient.[4]

Calculations are further based on the assumption of full compliance, meaning that businesses follow the legislation to the letter. This should further clarify the impact of the legislation measured. Accordingly, measurements will not reflect a situation where non-compliance is identified.

Finally, it is also of relevance how often businesses have to comply with the information obligation and its requirements – whether compliance requires action several times a year, once a year or once every fifth year. In the RTA method this factor is termed *frequency*. The frequency usually derives directly from legislation and is clearly a factor influencing the extent of administrative burdens on businesses.

Levelling the information to the population (Q)

After the relevant information for the normally efficient business is obtained, the RTA method makes it possible to calculate a standardised measure for all the businesses concerned by the legislation in question.

Populations can differ depending on the information obligation. The "population" is the specific target group relating to each information obligation. It can either be the number of businesses affected by a given piece of legislation, or the number of relevant actions. The time reference in defining a population is a year. The pilot study generally used action-based population definitions. This can for example be the number of applications for a licence per year. If businesses in a certain sector submit 1 000 applications for a licence every year, the population will be 1 000.

Each country had the opportunity to use *segmentation* if it expected or found that groups affected by an information obligation behaved or complied differently. This could for example be the case when it is expected that small businesses have a higher administrative burden than large businesses. The effect of digital solutions might also be an issue relevant for segmentation. If regulation can affect several business segments, populations will have to be identified for each segment. In this way segmentation serves as a way to handle specific characteristics of a target group of businesses or a sector. It should be noted that segmentation requires further interviews and tends to make measurements more complex; its introduction should be based on sound and pragmatic judgement.

In certain cases some data requirements may not apply to the whole population, which is the situation with specific thresholds. This is covered by indicating a specific *rate* of coverage. An example of a threshold is if the number of businesses that have to provide certain data to the authorities is 2 000 but only 1 600 of the businesses have to report special information because, for instance, they exceed a certain size or are organised in a special way. In that example the population will be 2 000 businesses but the rate will only be 1 600 businesses.

The SCM calculates the total cost of administrative burdens in fulfilling the obligations from legislation. The *aggregated cost* is found by multiplying the quantity of affected businesses by the price one business pays for internal and external work. Similar data have been collected in the RTA measurement, but no aggregate price per country has been calculated due to large diversities. Putting such figures into the equation for calculating administrative burdens from a comparative perspective would need further adjustment and normalisation.

Having obtained both the time used for a normally efficient business and the data needed for scaling the information, it is possible to calculate the total administrative burdens for an information obligation/indicator in terms of time. In the RTA the calculation formula is:

Total administrative burdens = $T * Q$

In the formula, T corresponds to the time spent by the normally efficient business. The value of Q corresponds to the population and how often it has to fulfil the obligation.[5] The overall calculation focuses on time rather than the cost in order to minimise potential biases when comparing across countries attributed to issues other than differences in administrative burdens. Time is to a higher degree a standardised value in itself, in that the normally efficient businesses are considered reasonably comparable.

Classification of the information

Another part of the RTA methodology is to identify the *origin of the data requirements*. Data requirements are classified in five main categories depending on their level of origin: A, B, C, D or E.[6] These classifications correspond to data requirements originating from supranational legislation (A and B), from national legislation (C) or from regional/local legislation (D and E). Data requirements are also classified according to origin in the SCM.

Another classification in RTA measurement concerns whether the information obligations are *general or specific* legislation. General legislation is aimed at a larger group than the one identified for a chosen measurement. An example could be tax regulation, which is general legislation because it is related to businesses across sectors. Specific legislation on the other hand is sector specific or only focuses at the target group of the measurement. For example, the obligation to apply for a national licence to conduct road freight is specific legislation. This information is relevant in order to identify whether the administrative burdens measured might be exclusively related to the target group of the study or would also be relevant for other types of businesses.

Further, a classification of data requirements by *level of digital solutions* is included. The classifications are completely manual, completely digital, or both digital and manual. The category digital is used where information can be reported only digitally. An example of a completely digital data requirement is a form that can be filled out and sent only via the Internet. Manual reporting is through the postal system even if forms, etc., can be downloaded from a web page. Finally it is possible that both types exist simultaneously. This classification gives an overview of the use of digital solutions by government.

Organisation of the RTA measurement

The organisational structure of the project was defined by three main parties: the Steering Group, the OECD Secretariat and the participating countries. The *Steering Group* was to provide overall project guidance, monitor progress and act as a methodological clearing house. The Steering Group was involved at several points during the measurement process, *e.g.* to decide on the indicators to be measured and the national breakdown.

The *OECD Secretariat* has been responsible for the ongoing administration of the project, including monitoring the data collection, supporting the Steering Group and analysing the results. One of its duties was to prepare consultations and meetings with the parties involved in order to ensure a consistent approach. The Secretariat also acted as a first point of contact for participants to implement the method.

The *participating countries* have been responsible for carrying out and validating their measurements in accordance with the RTA framework. Part of their work consisted in setting up the national organisation of the project in order to implement the RTA methodology. For the national organisation the RTA manual listed a set of relevant parties to involve in the measurements as well as a set of questions to help identify the parties to involve.

Differences between the Standard Cost Model and the Red Tape Assessment

The RTA project is different from the Standard Cost Model because the point of departure is business events and not the legislative area. Even though the RTA is based on

slightly adapted SCM methodology, there are some differences that must be taken into account. The main ones distinguishing RTA are listed below:

- The focus of the RTA is international comparison.
- The RTA looks at events and a sector.
- The RTA defines a set of benchmarking indicators.

First, it should be taken into account that the RTA approach performs international comparisons, whereas the SCM is developed primarily for the purpose of national measurement. In moving to the level of international comparison, several factors that might be less relevant in national measurements can certainly have a stronger impact. For example, consistency in the implementation of the method and the standardisation of information has an impact on comparability, which will not be equally important in measurements at the national level.

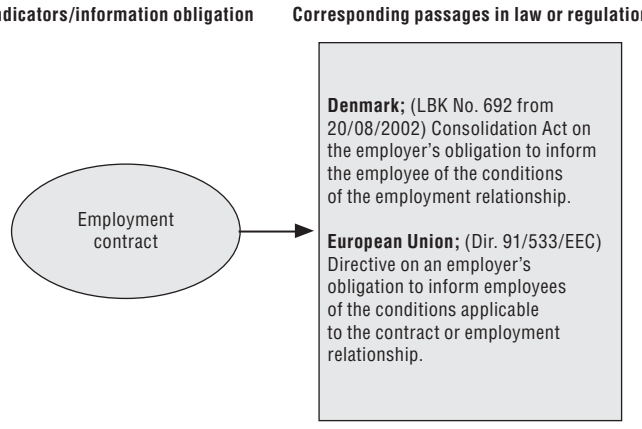
Further, it was decided to look at two events, "hiring a worker" and "operating a vehicle", whereas the SCM would begin by looking at a specific piece of legislation. This means that the area of investigation is at first defined by business procedures, whereas the SCM takes the regulatory text as point of departure. This means that in the RTA a set of administrative tasks are being transferred back to specific legislation, which adds an additional procedure to the method and an additional layer of interpretation.

The benchmarking indicators have been defined to identify a set of regulatory obligations that can be compared across countries. This means that only a selected number of obligations found in a given law could be analysed, whereas the whole piece of legislation would generally be the focus in the case of the SCM. The indicators do not fully cover the events, but identify comparable administrative procedures and obligations across countries. The full complexity of each event in each country is therefore not reflected.

Based on the business events, a related set of indicators to measure and compare were singled out. The indicators are seen as equivalent to an information obligation. For each event, the participants in the RTA project have coupled the selected indicators to *passages in a law or regulation text that requires business to provide or draw up the information*.[7] Figure 1.3 illustrates the linkage between indicators and the regulatory basis.

Figure 1.3. **Example of identification of the regulatory passage for indicators**

Identifying the indicator on employment contracts; the case of Denmark



The illustration shows how the benchmarking indicator employment contract should be linked to specific legislation and (in this case) with an EU directive. In the case illustrated for Denmark the information obligation is found in LBK 692, Paragraph 2. This exercise had to be done for all indicators, to identify all relevant pieces of domestic and international legislation in order to proceed with the breakdown and the measurement. Accordingly, it is crucial that the demarcation is well done to ensure comparability. During the selection and identification of indicators, participating countries were invited to suggest other relevant indicators/information obligations that could be of interest for cross-country benchmarking. The final selection of indicators was based on an agreement with the RTA Steering Group and the participating countries.

Having selected the indicators and identified the legislative roots, the breakdown and the measurement are carried out just as in the SCM methodology. However, in the final total cost calculations an adjustment has been introduced in order to improve comparability of data. The difference consists in leaving out the *P* value of the RTA formula, which can be seen from the two formulas below:

The SCM formula: $P * T * Q$

The RTA formula: $T * Q$

In other words, the RTA project measures total administrative burdens in time, whereas national SCM measurements use *money* by multiplying time spent with the relevant hourly wages. Apart from the exclusion of the *P* value, the two formulas are identical in the way they calculate the total administrative burdens.

The preconditions for the pilot study and the RTA methodology

Based on the previous description of the different elements in the RTA methodology it is clear that the methodology is founded on certain assumptions, which are essential for understanding the measurements as well as the analysis. These assumptions are listed below.

- Full compliance with the legislation.
- Calculations and analysis are based on data for the normally efficient business.
- One indicator = one information obligation.
- No distinction made between administrative burdens and administrative costs.
- All measurements are based on nationally validated data following the RTA methodology.
- The basic formula is $T * Q$.

What gets measured gets done

The saying "what gets measured gets done" is used to stress the importance of evidence-based measurements to promote simplification. The saying thereby highlights that measuring as such is not the most essential part of the exercise, but rather the momentum that can be created for administrative simplification. Measurements should be seen as a means to simplification and not an end in themselves.

The RTA aims to compare measurements of administrative burdens in a specific legislative area and sector in order to look for ways of reducing those burdens. In this way the RTA provides a baseline and source of ideas for simplification opportunities. The information obtained from the analysis will by definition only be addressing the reduction

of administrative burdens, which means that the broader objectives of the legislation or other national priorities are not taken into account but left for national authorities to handle in their national simplification strategies.

In general, most of the elements in the RTA methodology can serve as input for simplification. Due to the detailed focus of the measurements – concentrating on administrative procedures in relation to legislative requirements – the information obtained is very much of an action-orientated nature. Being able to acquire detailed information on administrative procedure is a key advantage of the RTA method that paves the way for very specific inspiration and advice.

Reducing the time it takes to comply

The main module is the information obligation and its *breakdown* into data requirements and activities. This level of detail facilitates analysis of the different components and their impact on business. In general it is possible to identify what components are the most time-consuming and accordingly, where alterations could lead to the greatest reductions in administrative burdens.

The aim when reducing administrative burdens is that a business is to spend as little time as possible on providing the public authorities and third parties with information. This time should instead be spent on generating wealth, for the benefit of society as a whole. This would imply that when looking exclusively at administrative burdens, spending less time is good practice.

An example might be that businesses in one country are required to submit data proving good repute, good financial standing and professional competence when they apply for a national licence. On the other hand, in another country a business only has to provide proof of good financial standing, which makes the whole application process less time-consuming for the business. Comparison of the procedures and requirements not only identifies the differences, but also the impact of such differences. In the realm of simplification, countries can use this information to evaluate and assess the extent to which it is feasible and recommendable to follow the path of other countries.

Further, the analysis of the data set makes a distinction between *common* and *additional* requirements, which should enable identification of requirements that are unique to a country. Thus a business in one country might face more requirements than in another, which could be an indication of goldplating. In the framework of the RTA, it is not analysed why such additional requirements are instituted. However, their very existence lends input to simplification efforts, in that the country might debate internally whether the additional requirements are truly necessary.

The information obtained on specific activities linked to a data requirement is relevant because it signals which activities take a lot of time. That knowledge could be used to build a simplification strategy for a specific activity that might lead to a significant reduction in administrative burdens.

Reducing the aggregate impact

Information is included on the potential impact at an aggregate level, *e.g.* parameters such as population, rate and frequency.[8]

The information on the number of businesses that have to provide different kinds of data to the authorities can be useful. In fact it will often be beneficial to carefully consider

if the businesses are correctly targeted, *i.e.* if the obligations are only put on relevant businesses. Examining the *population* that has to comply with a certain information obligation can be a valuable part of simplification exercises, seeking to narrow the scope and ensuring proportionality in the regulatory measures.

In looking at the *rate,* a more limited portion of the overall population is addressed. This information too can be used for administrative simplification. If the rate is smaller than the population, that indicates a threshold in the information obligations – *i.e.* there are special requirements aimed at a limited group within the broader target group. An example could be that businesses organised in a special form have to comply with a specific requirement. In this way all the other businesses affected by the general information obligation do not have to spend time on this specific requirement.

However, it might be worth noting that a high variation of the rate for one information obligation could have the downside effect of making the legislation very complex and non-transparent. If the information obligation contains a significant number of exceptions and thresholds, the risk is that it might be rather time-consuming for a business to find out which requirements it is supposed to follow or not. In that case the gains of targeting the requirements could disappear due to enhanced need for familiarisation. The overall effect of introducing thresholds should therefore be carefully analysed in order to understand the overall impact.

Data on *frequency* is also useful. Some information may have to be provided often by the businesses to the public sector or third parties while other information rarely has to be provided and therefore has a lower frequency. The businesses in one country might for example have to apply for a renewal of a national licence every year while businesses in another country only have to apply every tenth year. In an overall cost perspective, having to comply with the obligation more frequently in one country than another will naturally raise the aggregate impact, other things being equal. Reducing the frequency can therefore be a way of reducing the total administrative costs.

In cases where *segmentation* has been introduced in the measurements, this information might also be used for simplification purposes. It generally comes into play when it is known or expected that there is or will be a systematic variation in how different groups of businesses comply with an information obligation. This can be due to size, the use of digital solutions, etc. If these kinds of differences are found they can be considered if measures can be taken to target simplification on the segments where the burdens are most pertinent. Depending on the basis for segmentation, this could result in a variety of approaches concerning exceptions, support functions from government, better communication of the obligations and requirements.

Price has not been included in the formula for calculating the aggregate cost in the RTA pilot study. The problem of comparing the tariffs across countries is that they can vary greatly because of differences in the labour market, general price level, etc. Such a difference would not necessarily indicate anything about the administrative burdens of the countries, but would instead signal other kinds of differences.

The aggregated price can be interesting and useful when looking at costs on a national level, as has been done in all the national SCM measurements. Cost figures can be a more powerful tool than time as a way of communicating about administrative burdens to stakeholders. However, strictly looking at the potential input for simplification and doing

comparisons across countries, price aggregation is complex and contains a high potential for distorting the comparisons.

Deciding on simplification based on the RTA findings

It is then up to each country whether or not they wish to use the RTA findings to reduce administrative burdens. A recent OECD publication on administrative simplification (OECD, 2006) shows that cutting red tape in most countries is part of broader programmes for regulatory reform, a tool along with others such as regulatory impact analysis, consultation, etc. Engaging in reduction of administrative burdens has evolved, from a more sectoral approach to more comprehensive programmes with a "whole-of-government" ambition.

Overall, the findings in the RTA framework should be considered as input for national simplification work. However, since the framework has only been set up to measure and compare administrative burdens, the broader discussion of the cost and benefits of introducing simplification based on the study should be handled in the context of a national simplification framework. Having *a national platform* for discussing and implementing potential ideas springing from the RTA study is important.

As seen above the measurements and practically every parameter have their input to offer for specific and targeted simplification. In order to give the findings sufficient and efficient consideration while respecting national priorities, it is important to keep several elements in mind. The national context could be given adequate consideration by creating a systematic procedure.[9] This could naturally include the involvement of relevant stakeholders, which in many cases would be the same stakeholders involved during the measurements.

The *general/specific* categorisation has been included in order to raise awareness of the potential population that would be affected by changes in the administrative assignments. Since the RTA has a sector-specific approach, some indicators might be measured only for the sector and not for all the businesses concerned by the legislation. This could of course create a certain bias, a possibility that should be considered in opting for simplification; the efforts made need to be beneficial or neutral for the entire population. For instance, when simplifying general tax regulation to benefit the road freight sector, it should be taken into account how this might affect other businesses subject to the legislation.

Another parameter that will influence any strategy to reduce administrative burdens is the *origin* of the legislation level (Categories A through E, mentioned above). When engaging in simplification, this information is crucial for making effective and timely changes. First of all, the categorisation tells where changes have to be made. Second, the classification can point to the time it might take to effectuate any changes, because that can depend on the formalised decision-making procedure attached to each level. For example, changes wanted at the supranational level might take longer if they depend on agreement across countries.[10] On the other hand, changes in an international law that promotes administrative simplification can have a large impact on reducing the administrative burdens for businesses across countries. Finally, the actual implementation of common requirements can make a difference.

In this context it will also matter whether simplification and burden reductions only can be achieved through a change in the legislation, or if it can be done by changing the implementation or the administrative procedures. In the case of introducing digital

solutions to reduce burdens, this might be done just by having government set up the necessary technical infrastructure. In certain regulations however, introduction of digital solutions might require a law change if the law states that the information has to be handed in manually. These factors can also explain why certain types of simplification will be easier to introduce in one country than another. It should be noted that this aspect is not analysed in the RTA framework.

Comparing the administrative burdens and the simplification potential can also be a way of seeing if legislation is up to date with new developments in technology, etc. Information and communication technologies are among the mechanisms to enhance simplification (OECD, 2006). E-government tools are generally found to improve efficiency and services (OECD, 2003).

Finally, even though the measurements are based on full compliance, qualitative data collected during the interviews might indicate that there is a discrepancy between full and actual compliance. Such information should also be considered when embarking on simplification efforts. Apart from showing that the data collected can overestimate the numbers for actual compliance, the discrepancy indicates that businesses for one reason or another prefer not to follow the legislation. It could be that they find it obsolete or too complex, or were not aware of its existence. The extent as well as the reasons should therefore be further analysed and integrated into the simplification work, because that would help to ensure high-quality regulation.

The RTA framework supports governments in reducing administrative burdens

Table 1.1 shows different aspects of the simplification process based on information gained through RTA measurements.

Table 1.1. **The RTA framework for reducing administrative burdens**

RTA helps governments answer (Policy need)	By creating a 4-step framework… (Conceptual)	That ensures… (Process)	Which delivers… (Results)
What would we like to look at?	Selection	Demarcation	Sector, events and indicators/ information obligations
What is our level of administrative burdens?	Description	Measurement	National data ($T * Q$) and ($P * Q$)
Where do we differ from others?	Identification and focusing	Comparison	T across countries Q across countries $T * Q$ across countries
What do others do that we can use for simplification?	Learning and policy advice	Analysis of differences	Simplification tools[1] *e.g.:* Modifying thresholds, e-government, data sharing, standardisation, etc.

Note: T = Time; P = Price; Q = Rate * Frequency.
1. OECD (2006), Chapter 2, modified version.

The first step considers the selection of the area and the indicators to be studied. This step is essential for identifying a comparable ground. Countries then collect the necessary data by interviewing businesses on the time taken for complying. That generates a description of the level of the national administrative burdens. In the third step, a comparison of the national data is carried out in order to identify where countries differ from each other. In the final stage, the differences are analysed in order to identify policy advice that can be used to reduce administrative burdens.

The conceptual RTA framework is thus a four-step process, intended to lead to the formulation of policy advice. The different steps are naturally linked, meaning that work done on one level will impact on the following steps and their potential.

Summary

The chapter has described the RTA methodology and how it can be used as a tool for reducing administrative burdens. The description intends to give an understanding of the structure of the methodology and the use of the results for national simplifications efforts.

The key element in the method is the breakdown of information obligations coming from government legislation in order to quantify the time it takes a business to comply with the legislation. The data are gathered through interviews to identify the time spent by a normally efficient business. On the basis of the information gathered at the business level more aggregate figures can be found. This is done by levelling the data through information on the population concerned and on how often the obligations are encountered.

The aim of comparing these levels across countries is to identify differences among the countries in terms of ways to direct the focus on simplification. Lessons can also be learned from analysing differences in administrative procedures.

Some of the key insights gained from the RTA methodology should concern:

- The time spent by a business and the sector across countries on complying with an information obligation.
- Less time-consuming ways to comply with the identical information obligations.
- Additional requirements that are nationally imposed.
- Classification of the origin of the administrative burdens showing where the simplification effort should be focused – if the obligations come from the supranational, national or regional level.
- Additional diagnosis of administrative burdens and inspiration for using different tools and approaches in national simplification efforts.

A four-step RTA framework was presented which contains interlinked procedures aimed at addressing different policy needs of governments. All four steps are to be pursued if the full impact of the RTA framework as an effective and relevant simplification tool is to be obtained.

The RTA only focuses on administrative burdens, and the potential for simplification found in the study is to be seen in this perspective. When engaging in simplification, reducing administrative burdens might of course be one of several concerns. These efforts should therefore be related to the broader objectives of the legislation in question when the RTA findings are to be made operational at the national level.

Notes

1. For a further discussion on the distinction between administrative burdens and administrative costs, see the International SCM manual (SCM Network, 2005), p. 7.
2. See Annex 1.A1 for a description of the RTA pilot study and the implementation of the method. The report of the academic advisory group, mentioned in the Introduction, evaluates the RTA methodology (see Part II).

3. The group has looked at two different elements of the RTA project, which are 1) Validity and 2) Objectives and Organisation.
4. See the RTA manual on standardisation and the definition of the normally efficient business, *www.oecd.org/regreform*, Annex B4.
5. Q is based on population * frequency. In cases where the rate differs from the general population, this figure makes up the population for a given data requirement in the calculation of the total burdens.
6. More information on each specific category can be found in the RTA manual, *www.oecd.org/regreform*, Annex B4.
7. The italic text corresponds with the definition of an information obligation according to the RTA and the SCM.
8. These elements correspond with the Q value.
9. For its national simplification work, Denmark has developed a "digital toolbox" as way to review the legislation systematically. The toolbox is a detailed guide for people working with simplification in the ministries.
10. In order to promote simplification in the EU (supranational level), the possibility of introducing a faster procedure was introduced via an inter-institutional agreement in 2003.

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Cutting Red Tape:
Comparing Administrative Burdens across Countries

PART I

Chapter 2

Red Tape Assessment Analysis of the Road Freight Sector

The Red Tape Assessment analysed a set of administrative procedures in the road freight sector as a case study for cross-country comparisons of the administrative costs within a specific sector. Eleven participating countries were required to carry out their own analysis over the period of November 2005-March 2007. The analysis is based on the validated data sheets received from those countries. While many methodological issues are raised, the RTA has enabled a comparative assessment of the administrative requirements imposed in each jurisdiction which provides a basis for identifying good practices which have resulted in fewer administrative burdens.

Introduction

This chapter analyses and compares the data collected for the RTA project, and presents the findings and methodological learning points that have emerged from the pilot study. Several factors had to be handled and analysed carefully to determine their influence on the results.

The general features of the RTA methodology were briefly described in the previous chapter. The first part of this chapter provides an overview of the project set-up and the general reading of the analysis.[1] The chapter analyses the selected indicators and data collected for the pilot study.

Project timetable and the countries involved

Thirteen countries expressed their interest in participating.[2] The actual measurements were carried out between November 2005 and March 2007 in eleven countries.[3] The analysis in this chapter is based on the validated data sheets received from participants by 6 March 2007. It must be noted that in general, the data included for Denmark[4] and the Netherlands[5] are based on the national Standard Cost Model (SCM) baseline measurements, which were carried out prior to the RTA project.

This analysis does not include all thirteen countries. The United Kingdom and the United States were not able to process the data due to domestic reasons. The data for Canada are not included due to lack of validity and reliability of the findings.[6]

Responsibilities

In line with the experience of countries carrying out SCM measurements, the organisational structure of the project was defined by three main parties: the RTA Steering Group, the OECD Secretariat, and the participating countries.

The RTA Steering Group was responsible for overall project guidance, including monitoring progress and acting as a methodological clearing house. During the measurement process, the Steering Group was involved in the output of the different phases, including the selection of indicators and the breakdown provided by the countries.

The OECD Secretariat has been responsible for the ongoing administration of the project, *e.g.* monitoring data collection, supporting the Steering Group and analysing the results. This also involved preparing consultations between the Steering Group and the participants to ensure a consistent approach and to act as a first point of contact for participants to implement the method. During the whole project, 18 consultations and meetings were conducted in total.[7] The Secretariat organised technical meetings with the participating countries,[8] and was involved in standardisation to enhance the comparability of data across countries.[9] A major challenge of the project was to carry out sufficient demarcation and breakdown to make data comparable. In some cases, it became clear that countries had measured information obligations that initially seemed to be the same, but deeper analysis indicated that there were substantial variations. Depending on differences

in legislation and how the measurements were implemented in practical terms, some indicators have not or have only partially been subject to comparative analysis.

The participating countries were responsible for carrying out their national measurements according to the RTA manual; for validating the data collected; for setting up the national organisation of the project to implement the RTA methodology; and for ensuring the involvement of all relevant stakeholders. As small differences in the practical application of the RTA method can have an important impact, countries delivered clarifications on their data. This can involve *ad hoc* decisions, such as taking into account or not, certain types of actions, which might entail a pragmatic grey area in the measurements. In the process of improving national legislation by reducing administrative burdens, these choices do not have serious consequences. However, for the comparison of results between countries they do, which is why countries have been asked to supply information on specific questions. A few countries experienced some practical challenges in the implementation of the RTA method in terms of data collection and standardisation.[10]

Benchmarking indicators in the road freight sector as a case study

The RTA analysed a set of administrative procedures in the road freight sector. As this study of the transport sector has the character of a pilot project, the analysis should generally be seen as an explorative approach to ascertain the extent to which comparisons of measurements can be carried out and which challenges are encountered. Generally, comparisons have been limited to indicators, where the data has been identified as comparable. The road freight sector was chosen because it is a key sector of the economy, playing a major role in market integration and having a direct impact on transaction costs for economic agents. It is also likely to be relatively similar across countries in relation to basic technology and to the degree of international legislation.

Furthermore, the road freight sector is in general highly influenced by supranational co-ordination, *i.e.* many information obligations analysed are in one way or another related to international agreements or regulations. Some of these are of a global nature, *e.g.* UN conventions. However, for the European countries, the information obligations/ indicators listed are mainly related to EU legislation. In light of the legislative background, the majority[11] of countries will have a common starting point when information obligations analysed adhere to EU legislation.

Seventeen benchmarking indicators (information obligations) were selected for the measurement, relating to the events "hiring a worker" and "keeping a vehicle on the road". The indicators cannot be taken as exhaustive for each event, *i.e.* they might not include all obligations and requirements in the participating countries.

The indicators have been kept simple. In the context of this analysis, an indicator can be considered equivalent to an information obligation.[12] However, in accordance with the RTA methodology, an indicator normally consists of a set of data requirements and activities.

Most indicators (fourteen) are related to the event "operating a vehicle for a year", whereas three are selected for "hiring a worker". This indicates that focus is on the information obligations specific to the road freight sector. The event "hiring a worker" contains obligations that are not exclusive to the road freight sector.

The indicators selected are listed, per event, below.

Table 2.1. **Benchmarking indicators selected for the RTA project**

Event 1: Hiring a worker	Event 2: Operating a vehicle
Informing employees on employment conditions/contracts.	Applying for a national licence to conduct road freight transport.
Reporting tax information to authorities – withholding tax.	Applying for renewal of national licence to conduct road freight transport.
Reporting tax information to employee – issuing a pay-check.	Registration of a vehicle.
	Applying for international licence to conduct road freight transport – an EU-community licence (EU).
	Applying for international permit to conduct road freight transport – an ECMT licence.
	Applying for international permit to conduct road freight transport – a bilateral permit.
	Confirmation of freight transport by a consignment note (CMR treaty).
	Providing and/or storing information on hours of service.
	Applying for a permit for special transport.
	Approval of vehicle for the transport of dangerous goods/ADR certificate of approval.
	Information required to be kept in the vehicle during the transport of dangerous goods.
	Appointment of a safety advisor for the transport of dangerous goods.
	MOT – Vehicle undergoing periodic roadworthiness test.
	Statistical reporting on the carriage of goods by road.

Analysing the indicators and doing calculations

The RTA approach[13] offers insight into the administrative tasks met by businesses. When looking at the practical implementation of the national regulation of businesses, detailed information on how legislation is handled across countries can be obtained. The detailed approach is a way to understand how regulation is handled in practice, and which parts are time-consuming and complicated.

The RTA is not a statistical method.[14] The data analysed are based on standardised values for a normally efficient business, and mainly generated through business interviews.

This section describes the way the indicators are analysed and which calculations have been performed. Analysis has been carried out at the business and country levels. The business level gives information on what is required by a normal business to comply with a specific indicator. The country level gives information on the impact the indicator will have on the sector and the aggregate level. These two levels are used for comparing the data across the participating countries.

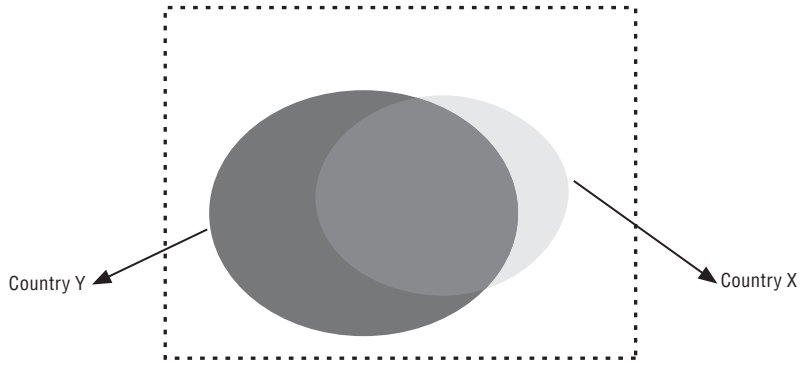
Analysis at business level

As already mentioned, the starting point for the analysis of the business level is the time consumed for each indicator. This provides a stable basis for comparisons, because time is a standardised factor in itself.[15] For example, we can see how much time a normal road freight business spends when applying for a licence and what requirements would have to be fulfilled. The time values should generally be considered as a proxy when looking at the time for the normally efficient business.

Part of the measurement has been to break down the information obligations into data requirements and activities. In order to make processes and data comparable, the breakdowns from the participating countries have been categorised into common data requirements, additional data requirements, and the demarcation differences. Only the

data requirements listed as common and additional are part of the analysis, which is based on validation by the participating countries and the RTA steering group. (The breakdown for each country can be found in Annexes B1 and B2 [see *www.oecd.org/regreform* for Annexes B1, B2, B3 and B4]). Figure 2.1 illustrates the three different categories of data requirements.

Figure 2.1. **Comparing the indicators based on common and additional data requirements**[1]



1. The overlapping zone between Country x and Country y indicates the common data requirements, quantified as (t_c). The purely national parts of the circles indicate any additional requirements, quantified as (t_a). The dotted quadrant indicates any differences in demarcation.

Common data requirements constitute the core of the RTA analysis, since these are the requirements validated as being comparable across countries. The additional requirements are those unique to a specific country in relation to the information obligation being analysed. In the case where supranational legislation is at the origin of the information obligation, additional data requirements can be considered as "national add-on" which gives businesses a supplementary administrative task compared to businesses in other countries. This kind of extra requirement might therefore in certain cases by an example of "goldplating".

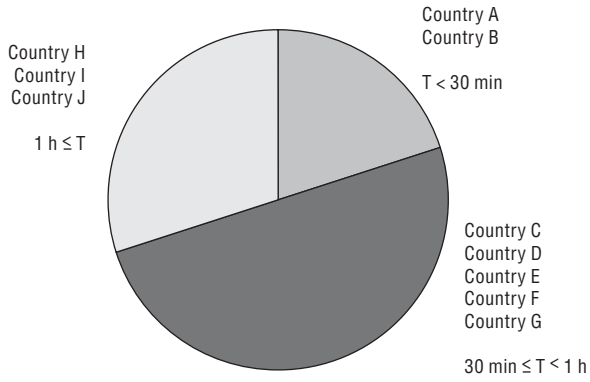
Differences in demarcation represent the data requirements that countries have considered in their analysis but that, from a comparable perspective, constitute a methodological bias. This is the case if, for example, an EU country has measured a requirement originating from an EU regulation that has not been measured by any other country even though they are subject to the same legislation.

Categorising the data requirements is therefore essential when comparing data across countries. The aim is to identify any significant differences between countries so as to be able to find the necessary explanations. The comparison therefore focuses more on the relative distribution of time among countries rather than the absolute figures per country.

Therefore, in order to compare data across countries on the business level, they are being presented via a combination of the principle of a reference point and scaling (OECD, 2005c). To adjust for minor variations in the time values, the data received have been divided into ranges.[16] Low observations will be especially sensitive to variation, which will be minimised by using ranges, which are constructed by looking at the distance to a reference point. In the analysis the country of reference, *i.e.* the reference point, represents the country with the second-lowest time consumption per indicator. Taking the second-lowest ensures that the lowest category will at a minimum include two countries. This way,

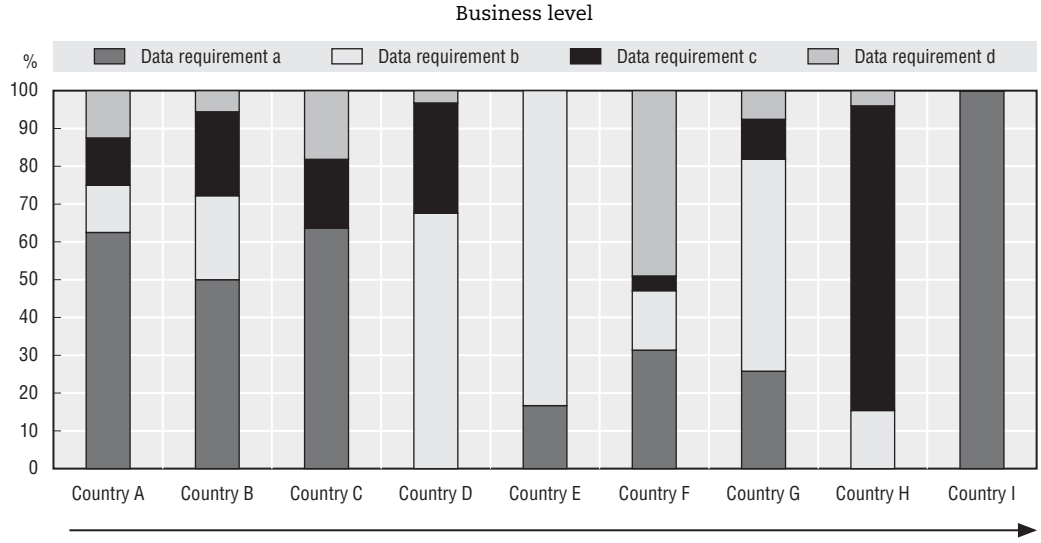
extreme results in the calculation of ranges will be adjusted. Choosing the country with the second lowest time consumption reflects that low time consumption should indicate low administrative burdens[17] on businesses when comparing identical administrative tasks. Figure 2.2 is an example of the comparative structure used to analyse data.

Figure 2.2. **Time spent by a business to comply with the information obligation**



The figure displays three groups of countries. The first group represents countries where the normally efficient business uses the least time on complying with the indicator.[18] The second group represents the countries where the normally efficient business uses an amount of time placed in a range that is up to double the time range of the first group. The last group represents countries where a normally efficient business would use more than twice the time used by the normally efficient business in the lowest category. A figure such as Figure 2.5 illustrates the common data requirements, whereas the total time including any additional requirements is found in a bar-chart figure like Figure 2.3.[19]

Figure 2.3. **Distribution of data requirements**



To further analyse administrative processes, the data requirements across countries have been presented in figures displaying stacked columns that represent comparable information obligations. Figure 2.3 illustrates the relative time a business spends on fulfilling the three most time-consuming data requirements across the countries, the additional requirements, and other identical requirements.

Figure 2.3 illustrates where businesses in each country spend most of their time in order to comply with the relevant information obligation. It should be noted that in some cases countries have bundled the data requirements in their measurements, which means that a less detailed picture of the distribution of the time spent by businesses is obtained.

Based on the distribution and available information, the analysis also provides examples of administrative processes in the countries where the lowest time consumption has been identified. The processes described can provide an example of good practice relating to how a country with low administrative burdens has implemented a specific information obligation.

Analysis at country level

Analysis at the country level was carried out by looking at the population figures identified for each information obligation as well as the rate and frequency. The population has been defined specifically for the information obligations.[20] However, to compare populations it is not enough to conclude that, for example, one country has a larger population than another, because this might be due to the size of the national sector. In order to take into account that the sector itself varies across countries, these data have been analysed in relation to the size of the national sector.[21] In this way it should be possible to identify whether variations in the population for each information obligation might solely be related to differences in the size of the sector. By doing correlations between the two types of data, the level of cohesion between the sector size and the reported population[22] can be identified. It should be noted that population data have not in all cases been easily accessible, and so populations are at times based on estimates. However, as with all other data, these have been validated nationally.

Based on the analysis of the population figure, calculations have been made of the total time spent by businesses in each country. The total time is the time the sector in one country uses on both common and additional data requirements for a certain information obligation during one year.[23] The comparison of the total time is based on the same principles as those used for the comparison of time at business level. Accordingly, the total time is divided into three time ranges, whereby the countries are being grouped. To make it easier to interpret the figure, the total amount of hours has been calculated into working days of eight hours each.

The analysis does not include a calculation and comparison of the total cost per country. This is due to the fact that the price level (wages) can differ rather extensively between countries depending on labour market issues, general price level, etc. Differences in wage can for example eliminate the difference in time consumption per business, so that a country with low time consumption will have higher costs than a country with high time consumption per business. This would mean that the difference is not due to the administrative procedures, but other factors. Including data on price therefore renders it difficult to make comparisons if no adjustment is made for different price levels. Analysis of the price level and personnel groups has therefore been done separately.

Indicators on permits and licensing – entry to the road freight sector

This section will focus on the indicators concerning the licences and permits measured for the RTA pilot project. Licensing and issuing permits are used by government authorities to give prior approval for establishment and conduct of a business or other activities. The approval is generally based on certain kinds of validated information. In this way permits and licences regulate access to the market or the profession, and so to a greater or lesser degree can constitute barriers to entry (OECD, 2006). Many countries have been focusing on simplifying licences and permits in order to deal with externalities and regulatory failures.

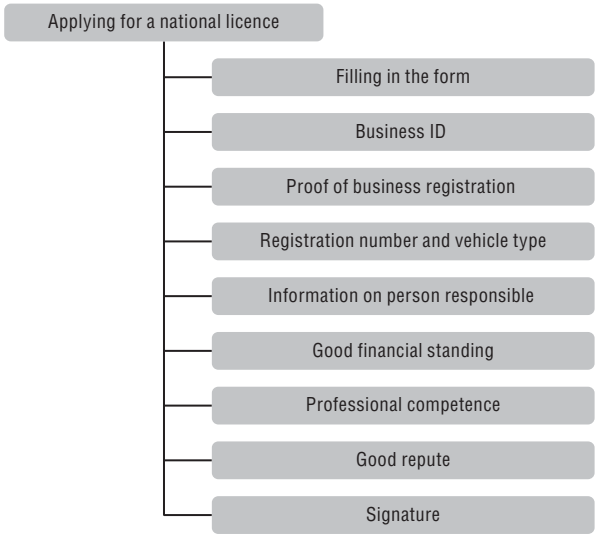
This section will first look at the licences and permits measured in the RTA project, focusing on the results obtained. These are licences and permits needed for businesses to operate in the road freight sector and so concern, *inter alia,* the national licence to conduct road freight, the ECMT licence, the EU licence, etc. Based on the comparative analysis carried out the section will look at some cross-cutting issues as well as some methodological learning points.

Applying for a national licence

The countries participating in the RTA generally have an obligation for businesses in the road freight sector to have a national licence to conduct road freight. In Europe, the national legislation originates from EU Directive 96/26EC,[24] which is implemented in national legislation. Countries outside Europe rely on purely national legislation in relation to the indicator. The regulation is specific to the road freight sector.

Figure 2.4 shows the common data requirements found across countries for the information obligation "Applying for a national licence to conduct road freight".

Figure 2.4. **Data requirements when applying for a national licence**



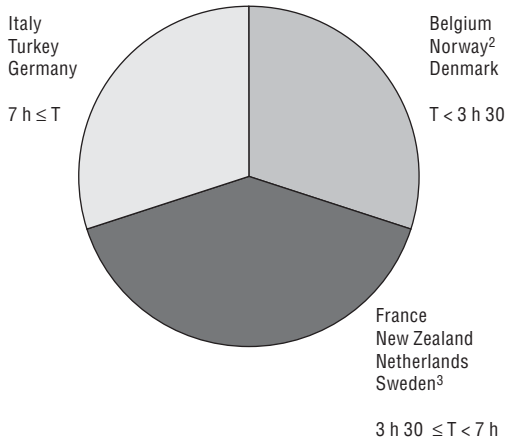
The common requirements businesses most frequently meet in order to apply for a national licence are information on the business (including business registration number), on the persons responsible and on the vehicles. Also information on financial standing, professional competence and good repute is required, which in the European context is

also mentioned in the EU directive. These are criteria for allowing access to the road freight market. "Professionally competent" in the European context refers to the certification of an operator in the road haulage sector, documenting their familiarity with the rules that govern the sector and ability to manage a business. The EU directive offers a model for the certificate. "Good financial standing" documents that operators have sufficient capital to manage the undertaking and to maintain the vehicle. In the EU directive specific amounts are identified as the needed capital. Finally, "good repute" is a criterion through which businesses that disregard the law can be excluded from the profession. The more detailed criteria for determining good repute have been issued to the EU member states.[25]

Business level

The time for complying with the information obligation for businesses varies when looking at the requirements that are comparable across the participating countries. Figure 2.5 shows the distribution of countries in terms of time spent per business.

Figure 2.5. **Time spent by a business in applying for a national licence**[1]



1. This figure only includes the time spent on identical requirements. In the case of professional competence, data have been adjusted for time spent for training and exams.
2. The time estimate for Norway is slightly overestimated. In Norway, some of the businesses have to apply for a certificate for passed exam, whereas the rest would already have done that. The condition that the travel time in Norway is included in the attestation from police has made it difficult to estimate the time due to different locations. Neither of these factors would, however, change the results in the figure above.
3. The normally efficient business in Sweden and in the Netherlands uses external help to comply with some common data requirements in this information obligation. The time spent by the external advisers is not included in the figure. The time estimates for the Netherlands and Sweden are therefore slightly underestimated.

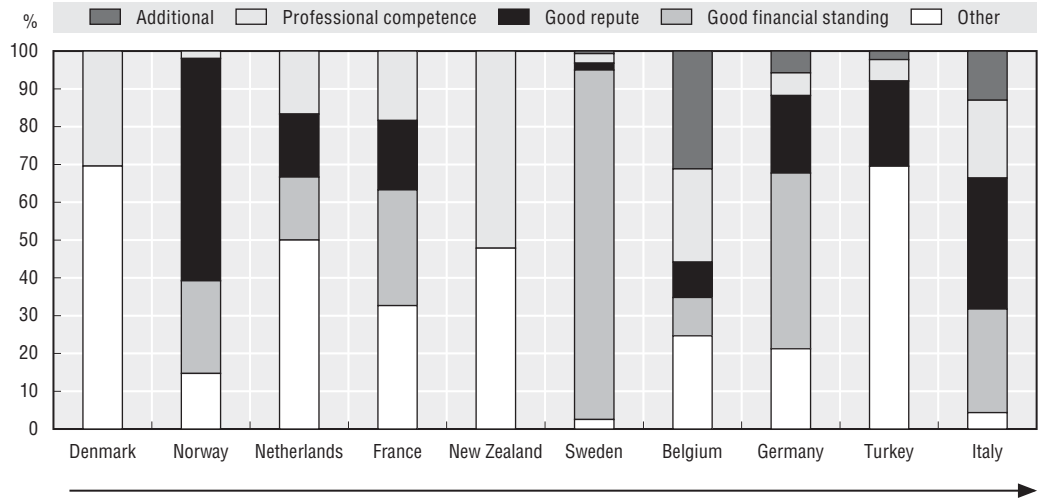
As the figure indicates, there is a variation in the time spent for a typical business across countries to apply for a national licence to conduct road freight. In Belgium, Norway and Denmark businesses use less than three-and-a-half hours to comply with the common data requirements.[26] More than seven hours are used by businesses in Turkey, Italy and Germany on the requirements. In Sweden, the time used for the application might vary between different County Administrative Boards as well as depend on whether it is a judicial or a physical person applying for the licence.

In the countries where data are available businesses applying for a national licence can apply for more than one truck and more than one trip.[27] This means that the licences should generally cover the needs of the businesses to operate in the market in relation to

their lorry fleet; thus there are no limits on the number of vehicles that can be operated under one licence.[28]

When looking at the detailed distribution of time in regard to the data requirements Figure 2.6 shows that the most time-consuming requirements are generally related to documenting financial standing, good repute and professional competence.[29]

Figure 2.6. **Relative distribution of data requirements in regard to obtaining a national licence**[1, 2]



1. The figure reads in ascending order from left to right, in the sense that a business in the first country spends the least time on applying for a national licence, and a business in the last country spends the most time.
2. The figure includes five categories: additional data requirements, the three most time-consuming data requirements across the countries, and the category Other. The latter consists of common data requirements which, across the countries, take up less time than the specified categories.

Proof of financial standing makes up an essential part of the time businesses spends in order to fulfil the data requirements. In several cases there is a need to get information or documentation from external parties, *e.g.,* the information on financial standing has to be verified by either an official annual report/periodical financial statement or a statement signed by an authorised accountant. In the case of Denmark, time spent on financial standing is zero, because it is up to the authorities to get the information necessary.[30] At the same time, looking at the data requirements for the different countries reveals that the countries in the study that are situated outside the EU do not require information on financial standing in order to get a national licence to conduct road freight.

Regarding good repute, businesses generally have to submit information or a certificate of their criminal record showing that the person applying is reliable and of good behaviour. The way of gaining this information differs between countries. In the Netherlands for example, several authorities have to be involved in a process involving both the local and national level, which can account for the higher time consumption (Ministry of Finance, the Netherlands *et al.*, 2005). In Denmark on the contrary, information on good repute is collected by the competent authority from other authorities, which means that businesses themselves will not have to supply the information confirming their repute. This further explains the low time consumption for a business in Denmark. In

New Zealand, applicants are assumed to be of good repute unless there is reason to believe otherwise, in which case official checks can be made.

In relation to the documentation of professional competence, this contains proof of training or education following relevant national or EU-regulation, depending on the country. The documentation serves as proof that the applicant can demonstrate the necessary knowledge required to conduct road freight. The requirement is found across all countries involved in the study.

From Figure 2.6 it becomes clear that the qualitative criteria on repute, financial standing and professional competence for the typical businesses across countries are very time-consuming when applying for a national licence. As mentioned elsewhere CEMT/CM, (2001)8, not having these criteria could open up competition between operators. However, this could also have effects on the safety and stability of the sector. It could be discussed how far all of the three criteria are appropriate for the objectives of the governmental authorities. The criterion on financial standing especially seems contestable, because there might only be little guarantee that capital is allocated to the maintenance of vehicles instead of other things. The criterion on financial standing is not found in New Zealand or Turkey.

In many of the countries businesses are able to complete part or all of the application process electronically. In Belgium, it is possible to e-mail a signed application and in Norway, a form can be obtained electronically. In Germany, it depends on the local authorities whether the form can be obtained electronically or not.

In Denmark, the reporting can be done digitally by businesses, which means that the whole process can be done electronically – from finding the form on the Internet to submitting it to the competent authorities. In Sweden, whether the application can be submitted via the Internet and how much information has to be submitted depends on each county board.[31] In regard to documentation needed when applying for a national licence, it is possible in Denmark and Sweden to send in copies of attestations instead of the original. In Belgium, it is also possible to send in copies, as the original always has to be kept at the headquarters of the business. This is a way of making it easier for businesses to submit an application. Allowing the use of copies can thereby enhance the possibility of digital applications, since copies can easily be attached to a digital form. Doing the whole process electronically can save time, especially since businesses do not have to send in the attestations in original forms as required in many other countries.

Another procedure that explains the variation is the time spent by businesses to visit a competent authorising authority so as to gain the documents they need before they can apply for the national licence. Using both data sharing between relevant authorities and digital solutions, this time-consuming element can be minimised or eliminated. In Germany, a visit to the competent authority takes place before applying for the national licence. On the basis of information supplied by that authority several of the would-be applicants discover that they have no chance of getting a licence and therefore do not apply.

The common requirements are the ones most commonly found across OECD countries when applying for a national licence to conduct road freight. The breakdown also shows that in some countries businesses are confronted with additional requirements that go beyond the common requirements.

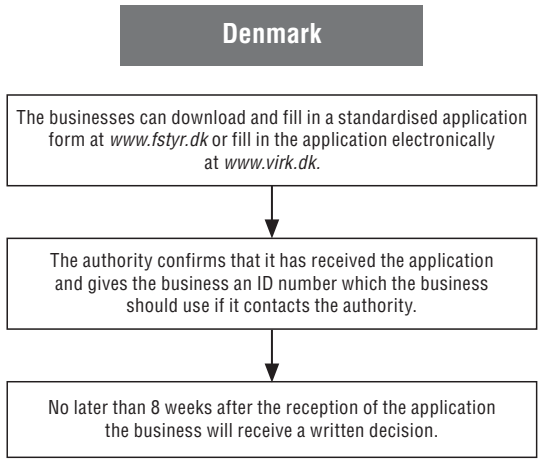
Additional requirements are found in Belgium, Sweden, Germany, Italy and Turkey. In Belgium, businesses have to fulfil additional requirements concerning “bank procuration” and “contract between employer and holder of the proof of professional capacity”. In

Germany, the additional requirement that needs to be fulfilled is "Answering of further questions, when appropriate". In Sweden, a business also has to submit information concerning a copy of shareholder register. In Turkey, the business has to fulfil additional requirements for L, M, N, P licences. In Italy, the additional requirements are linked to delivery of the form. Such additional requirements take extra time.

An example of good practice

Having looked at the time consumption at business level, there are clear differences in the time needed for businesses to comply with the information obligation. Figure 2.7 shows the Danish administrative process when applying for a national licence.

Figure 2.7. **The administrative process in Denmark when applying for a national licence**



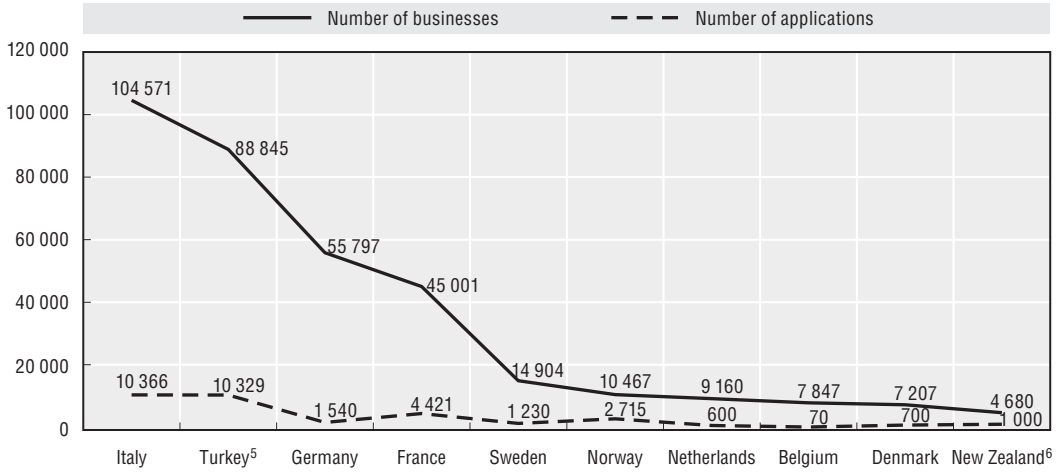
Country level

This section focuses on time consumption at an aggregate level. It will indicate the impact of time consumption for a single business applying for a national licence when taking into account all the relevant businesses. For this purpose, the focus is on – and the population defined as – the number of applications processed in the road freight sector in a year. Figure 2.8 below shows the number of applications per year per country in relation to the number of businesses in the national transport sectors.

Figure 2.8 shows overall that the number of annual applications follows the size of the sector in each country, in effect making up for relatively the same proportion of businesses in each country.[32] Some countries stand out because the number of annual applications is smaller than would be expected from the total number of businesses in the transport sector. The low number might be explained by a relative higher number of applications for an EU licence.

This is for example the case in Germany, where EU licences can also be used for national transport, obviating the need for a national licence. This could explain why the German population is relatively lower than might be expected in relation to the size of the sector. Turkey's data for the population might be slightly overestimated, since it first became compulsory in 2004 to have a licence for conducting road freight. In the Netherlands it is planned to abolish the national licence and just have a single licence

Figure 2.8. **Number of applications for a national licence in relation to the number of businesses**[1, 2, 3, 4]



1. The number of annual applications is based on the population in each country multiplied by the reported frequency. For Norway, Sweden and Turkey, the population median is used due to variation in the reported population. This might in some cases slightly over- or underestimate the figures.
2. The population is based on both common and additional data requirements.
3. The number of businesses in the transport sector is discussed in Annex 1.A2 on the road freight sector.
4. The number of businesses correlates with the number of applications for a national licence at 0.92.
5. In Turkey, new regulation was enacted in 2004 that made national licences compulsory for all national freight businesses; previously there was no such obligation. Therefore it is possible that the reported population for Turkey might be overestimated in this figure.
6. For New Zealand, the number of businesses re-sitting exams is not included.

system, which would signify that businesses would not have to apply for the national licence anymore.

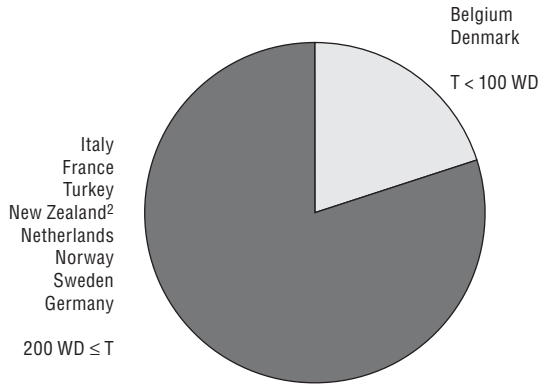
In Norway, there is a threshold in the common data requirements when applying for a national licence. This occurs because the requirement "Certificate for passed exam: driver's licence" only concerns a limited population. Sweden likewise has a threshold because only a limited number of Swedish transport businesses have to do checking when they provide their financial standing. This means that in some cases a business can be exempted from certain requirements, which will minimise the overall impact of the information obligation.

Having data on the annual number of applications makes it possible to identify the impact of the information obligation at country level. Figure 2.9 shows the total time the national transport sectors spend applying for a national licence.

The figure for total time illustrates a different picture than the one for time per business. Not surprisingly, the countries with the biggest transport sectors are among those that spend the longest time in total, indicating that the size of the sector as such has a huge impact on the total aggregate time used per country.

Further, it should be noted that in New Zealand the application for a national licence is normally required only once as there is no time limit on the licence, although it can be revoked due to serious or persistent breaches of the law. In other countries the validity of the licence has a time limit, which can vary between countries. Generally EU countries have set up a time limit of five years, which is also the case in Turkey. Thereafter a renewal of the licence is required if the business wants to stay in the market.

Figure 2.9. **Total time transport businesses in one country spend when applying for a national licence**[1]



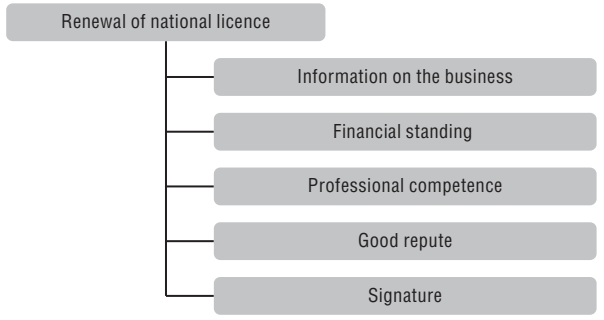
1. The total time is the time spent per business multiplied by the rate and the frequency. In the figure the total time is shown as the number of working days. One working day is measured as eight hours.
2. For New Zealand, information regarding re-sitting exams is not included.

Renewal of national licence to conduct road freight

In many countries, it is necessary to renew the national licence in order to continue to operate in the road haulage market. In Europe, the national legislation originates from EU Directive 96/26EC.[33] According to the directive, renewal is required every fifth year. Countries outside Europe rely solely on national legislation in regards to renewal of the national licence. The regulation is specific to the road freight sector.

When renewing a national licence, businesses are required to submit certain information to the authorities. Figure 2.10 below shows the common data requirements across countries for the information obligation "Renewal of a national licence to conduct road freight".

Figure 2.10. **Data requirements when applying for a renewal of the national licence**

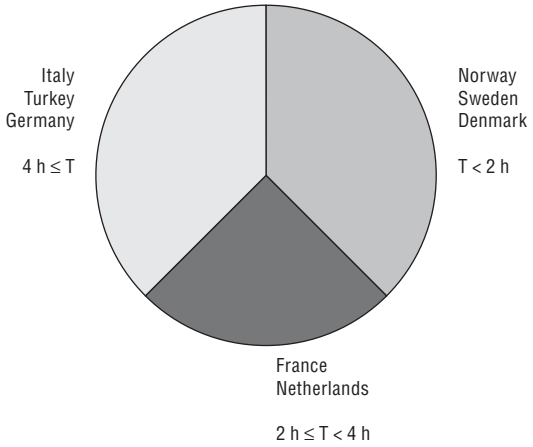


Data requirements identified as identical across most countries relate to information on the business as well as financial standing, professional competence and good repute. As with applications for the national licence there are the three criteria of good repute, professional competence and financial standing.

Business level

Even though many of the requirements are the same, less time is spent per business when applying for a renewal of the national licence, than when applying for the first time. Figure 2.11 shows the distribution of countries in terms of time spent per business complying with identical data requirements.

Figure 2.11. **Time spent by a business when applying for a renewal of the national licence**[1]



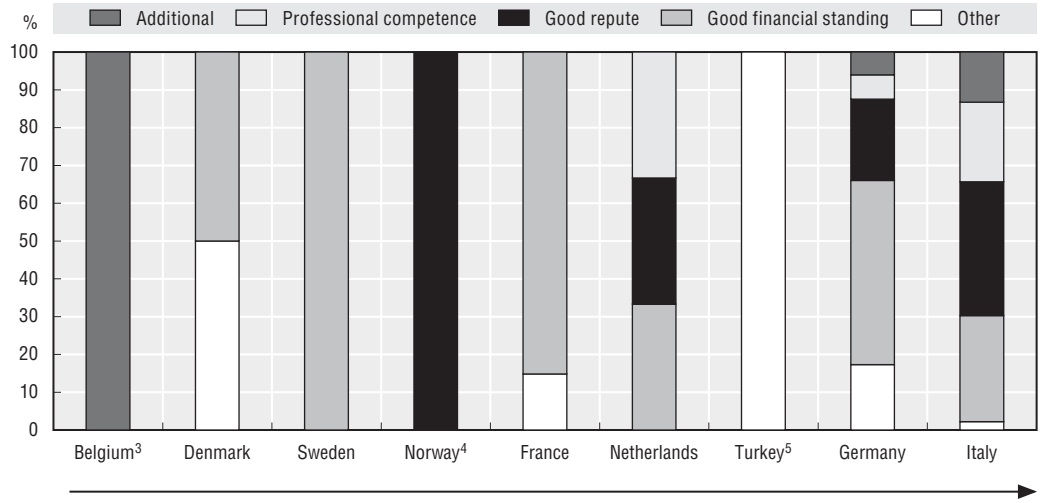
1. Only the time spent on identical requirements are included in this figure. Belgium and New Zealand are not included. In New Zealand, the national licence is valid for life, thus renewal is irrelevant. In Belgium the renewal is done automatically.

Figure 2.11 shows that in Denmark, Norway and Sweden a normally efficient business uses less than two hours to comply with the common data requirements. In Italy, Turkey and Germany it takes over four hours to fulfil the requirements. As for the national licence, the renewal covers more than one truck and more than one trip.[34] The distribution of data requirements for the total time used by a business across countries is shown in Figure 2.12.

The data requirement that takes the relatively longest time across countries is good financial standing, as can be seen in Figure 2.12. Four of the countries spend the relatively longest time on this requirement. Differences in the requirements for financial standing, good repute and professional competence make up for the main part of the variation in time spent. The explanations as to why the time used is less or more in some countries are generally the same as the ones related to the national licence. These concern the data sharing between authorities, digital solutions, etc. In New Zealand, a national licence is normally valid for life, although it can be revoked due to serious or persistent breaches of the law.

In Belgium and New Zealand, the information obligation generally does not have an impact on businesses. However, as shown in Figure 2.12, Belgium has additional requirements. The reason for this change is that businesses in Belgium have to undertake the settlement/payment activity to obtain a renewed licence. Other data requirements are done automatically. Germany and Italy also have additional requirements with regard to the renewal of the national licence. Those in Germany concern answering of further questions, when appropriate. In Italy, the additional requirements applicable to a business relate to delivering the form.

Figure 2.12. **Relative distribution of data requirements for renewing the national licence**[1, 2]



1. The figure reads in ascending order from left to right, in the sense that a business in the first country spends the least time on applying for a renewal, and a business in the last country spends the most time.
2. The figure includes five categories: additional data requirements, the three most time-consuming data requirements across the countries, and the category Other. The latter consists of common data requirements which, across the countries, take up less time than the specified categories.
3. In Belgium, there are only additional data requirements, which therefore represent 100%. The additional data requirement of settlement/payment with the original only applies to few businesses and may therefore be somewhat overstated.
4. In Norway, there are two and in Sweden three data requirements when applying for a renewal of the national licence. For both countries, only one of the categories is time-consuming for a business. Consequently, there is only one data requirement shown for these countries.
5. In Turkey, there are two data requirements when applying for a renewal of the national licence. In this figure they are both comprised under the category Other, which therefore accounts for all the time consumed.

An example of good practice

For the information obligation "renewal of the national licence", the administrative processes that have the least impact on businesses are those where no action is required. In the EU context, Belgium stands out in having an automatic renewal process, where businesses only have to pay a fee. In New Zealand, renewal is irrelevant since the national licence is generally granted for life.

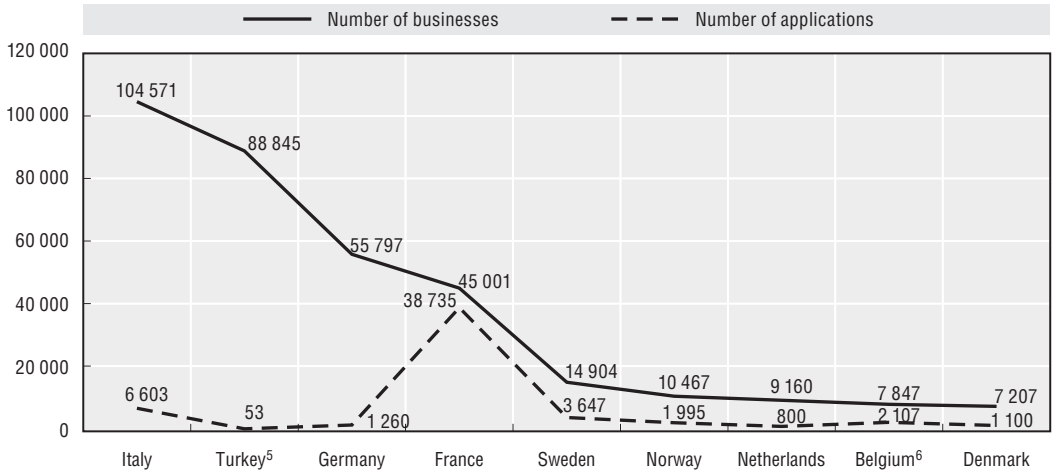
In order to pursue the direction taken by New Zealand, EU countries would need an adjustment of the EU directive since the obligations originate from supranational legislation. Individual EU countries therefore cannot simply adopt the practice of automatic renewal even if they want to.

Country level

The effect of the time consumption at business level on the aggregate level is generally influenced by the size of the population. In parallel with the population of the national licence, "population" is defined as the number of annual applications for renewal of the national licence. Figure 2.13 shows the number of annual applications for renewal of the national licence in relation to the number of businesses in the national transport sector.

As can be seen from the figure, the proportion of annual applications in relation to the size of the sector does reveal some irregularities.[35] Turkey has reported a much smaller population than expected given the size of its transport sector. This can be explained by

Figure 2.13. **Number of applications for renewal of the national licence in relation to the number of businesses**[1, 2, 3, 4]



1. The number of annual applications for renewal of the national licence is based on the population in each country multiplied by the reported frequency. New Zealand is not included in the figure since national licences are valid for life.
2. The correlation between number of businesses and the number of applications is 0.13.
3. The population is based on both common and additional data requirements.
4. The number of businesses in the transport sector is discussed in Annex 1.A2 on the road freight sector.
5. In Turkey, only international transporters were obligated to renew their licences. This has changed with new regulation enacted in 2004. However, the five-year period before renewal is not completed until 2009 – therefore, the population for Turkey is expected to rise over time.
6. In the case of Belgium, there is variance in the population due to differences in the populations reported for each standard activity. The figure slightly overestimates the population for Belgium.

the fact that Turkey did not introduce the information obligation as compulsory before 2004. The number therefore only reflects business engaged in international transport. On the other hand the population mentioned by France is much higher than expected. The difference might be caused by conditions in sector; however, no specific explanation has been identified. A small number of applications for renewal might express a high turnover of businesses in the sector. Many businesses might exit the market before five years of existence, in which case they will not be subject to the information obligation.

For Germany, the population is also relatively low, because renewal is generally done only once. Thereafter the licence becomes indefinitely valid, which will of course minimise the number of renewals every fifth year. Table 2.2 shows the frequency in the different countries with which the transport businesses are required to apply for a renewal of a national licence.

Table 2.2. **Duration of the national licence**

Country	Turkey	France	Germany	Sweden	Norway	Netherlands	Belgium	Denmark	New Zealand
Frequency	Every 5th year	Every 5th year	After five years, thereafter indefinite	Every 5th year	Every 5th year	Every 5th year	Done automatically every 5th year	Every 5th year	Licence not needed, because the national licence is valid for life

In general, there is a tendency to require renewal every fifth year.[36] This is mainly explained by the existence of the EU Directive 96/26 EC, which regulates the matter for all

EU countries. Turkey is in line with the EU countries in regard to the frequency for renewal. Only New Zealand has a different approach, because renewal is not needed.

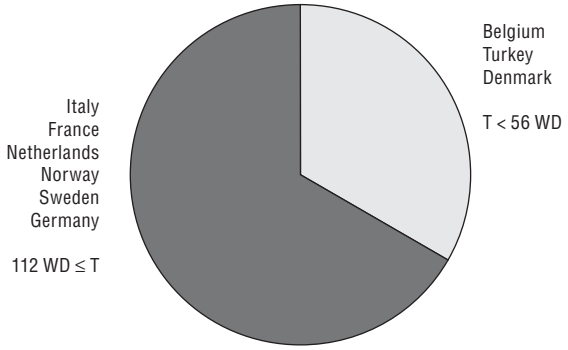
As mentioned earlier, renewal in Belgium is mainly an automatic procedure; the involvement of businesses is very limited. In Germany, the renewal only has to be done once after five years, which is a way of minimising the target group. If the individual conditions of admission to the sector are still met the renewal becomes permanent. This would only make the information obligation relevant once for a business in Germany, whereas it would be repeated every five years in other countries. In this way, Belgium and Germany have taken approaches that, in both the short and long run, can minimise the requirements businesses have to fulfil.

It should be noted that the information obligation is not necessarily followed by all businesses.[37] This highlights the fact that the actual compliance can be less than full compliance, which in turn indicates that in some situations businesses do not consider it relevant to follow the legislation. Even though no specific reasons have been analysed to identify why or how often this is the case, there is sufficient reason to question the existence of the information obligation.

The annual number of applications for renewal is important for arriving at the aggregate impact of the information obligation. Figure 2.14 shows the total time the national transport sector spends on renewing national licences in the course of a year.

Across countries the total time spent by the sector on renewal of the national licence does not correspond with the sizes of the national transport sectors, for the reasons listed above. The total time for Turkey is expected to change when the new legislation from 2004, which makes the national licence compulsory, comes into effect in 2009.

Figure 2.14. **The total time transport businesses in one country use when applying for renewal of the national licence**[1, 2]



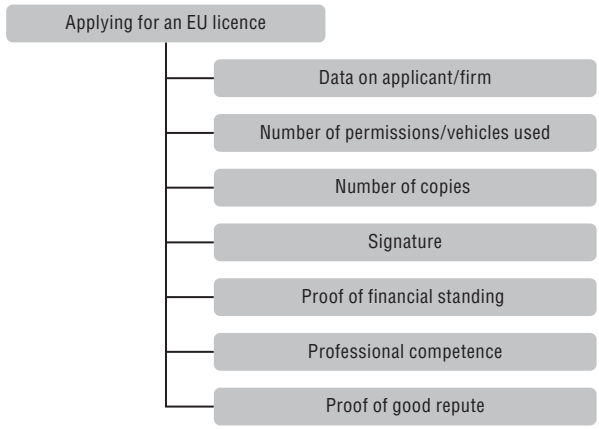
1. New Zealand is not included in this figure. The information obligation is not relevant, since the national licence is valid for life.
2. The total time is the time used per business multiplied by the rate and the frequency. In the figure the total time is shown as the number of working days. One working day is measured as eight hours.

Applying for an EU licence

Businesses have to obtain an operating certificate in order to engage in road freight transport in the EU. The information obligation applying for an EU licence is therefore by definition only applicable to the European countries in the RTA project. At European level it is regulated by Council Regulation (EEC) 881/92.[38] Transport for hire between EU member countries is conducted under the Community licence. The licence is issued for five years

and is renewable. The licence has a multilateral character since it can be used for operation between two member countries, neither of which is the business' country of origin. Figure 2.15 shows the common data requirements across countries for the information obligation "Applying for an EU licence for road freight conduct".

Figure 2.15. **Data requirements when applying for an EU licence**

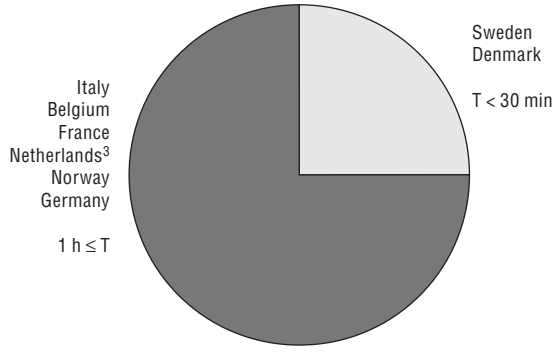


As with the national licence for road freight conduct and its renewal, some of the same requirements apply to the EU licence. The three criteria of good repute, financial standing and professional competence are also essential requirements for this kind of application in order to handle admission to EU road freight.

Business level

Businesses spend less time on fulfilling this obligation than on the application for national licence. Figure 2.16 shows the time consumption per business to apply once for an EU licence for the common identified data requirements.

Figure 2.16. **Time spent per business when applying for an EU licence**

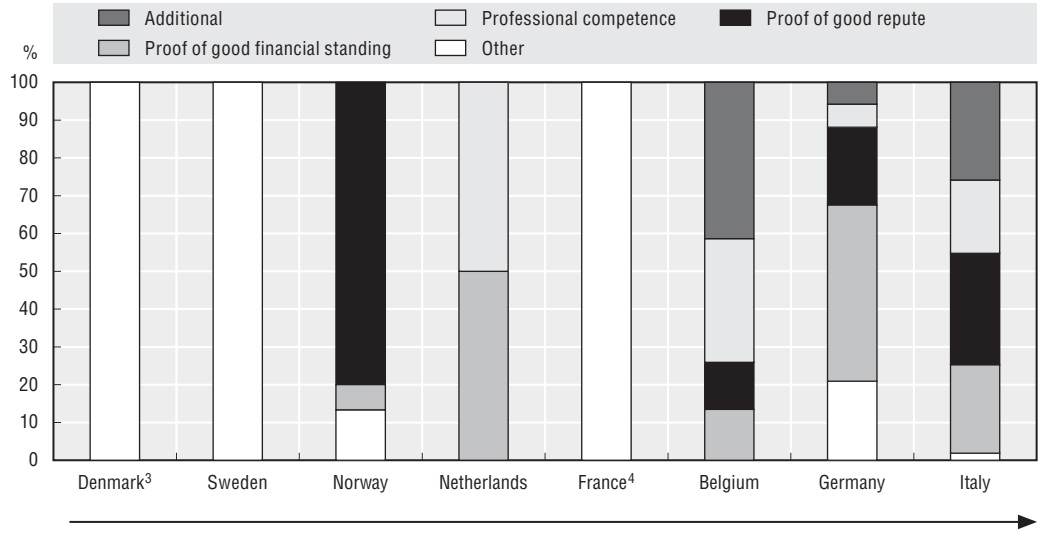


1. Turkey and New Zealand are not included in this figure because they are not part of the European Union.
2. Only the time spent on identical requirements are included.
3. The normal efficient business in the Netherlands uses external help to comply with some common data requirements. The time used by the external advisers is not included in the figure. The time estimates for the Netherlands are therefore slightly underestimated.

Figure 2.16 shows that businesses in Denmark and Sweden use the least time to comply with the information obligation: less than 30 minutes per application for a typical business. In all other countries a business uses more than double that time to comply. In Belgium the procedure for EU licences is fully identical to that of the national licence; in other countries the procedures and time consumption vary between the two. As with the national licence and its renewal, the EU licence is given for more than one truck and for more than one trip.[39]

The differences in time consumption are related mainly to the requirements on financial standing, data on the applicant and good repute, as can be seen from the figure below. This is in general parallel to the findings for the national licence and its renewal.

Figure 2.17. **Relative distribution of data requirements with regard to obtaining an EU licence**[1, 2]



1. The figure reads in ascending order from left to right, in the sense that a business in the first country spends the least time on applying for an EU licence, and a business in the last country spends the most time.
2. The figure includes five categories: additional data requirements, the three most time-consuming data requirements across the countries, and the category Other. The latter consists of common data requirements which, across the countries, take up less time than the specified categories.
3. In Sweden and Denmark, there are three data requirements for this information obligation. They are all included in the category Other, which therefore makes up 100% in the figure for both countries.
4. In France, there is only one data requirement; therefore, this accounts for all the time consumed applying for an EU licence.

For Sweden, gathering of information on good repute, financial standing and professional competence is done by the authorities, which makes the data requirements obsolete for the businesses with regard to applying for an EU licence. Likewise in Denmark there is no requirement for businesses to submit information regarding financial standing, good repute or professional competence. As with the national licence these data are shared among the authorities. Until recently the national requirement on loading capacity were stricter in the Netherlands than the EU requirement. This is being adapted to the EU standard, which partly might explain why the Netherlands is among the countries with a high time consumption at the business level. Since the measurements were carried out before the changes were introduced, the changes are not reflected in the data.

Further, it should be noted that in some countries it is possible to apply for more the one licence in one application, which is the case with the EU licence. It is possible, in the Netherlands and Denmark, to apply for the national and EU licence in the same application. In Denmark this means that when applying for a national licence it is possible simply to tick a box in the application form to apply for the EU licence.

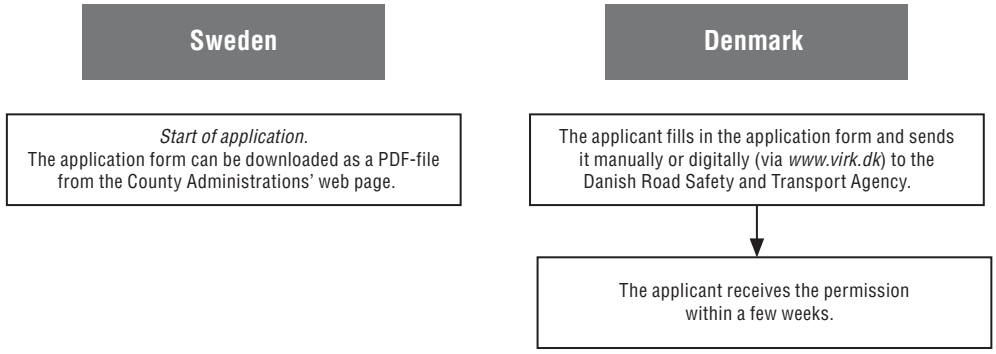
One of the reasons why businesses in Sweden and Denmark spend little time on applying for an EU licence is related to the option that the application procedure can be done automatically on the Internet. Furthermore, neither of the two countries requires their businesses to visit the competent authorising authority or to apply for an application form, necessary in other countries.

Apart from the common requirements identified above, businesses in Belgium, Germany and Italy are faced with additional requirements when applying for an EU licence. This does not change the overall distribution of countries, since a business in these countries already spends more than one hour on the common requirements, the additional requirements would not change the figure. However, it becomes clear that the additional requirements make for a further add-on to the total time used by businesses to comply with the information obligation. The additional requirements identified in Belgium concern giving information on a contract between the employer and the holder of the proof of professional capacity, and on bank procuration. In Germany, the additional requirements concern answering further questions, when appropriate. In Italy, there are two additional requirements, concerned with filling the request for the licence to the Ministry and (later) to the Provincial Office for obtaining the copy of the licence, and also delivering the request for the certificate and the copy. For Belgium and Germany, the same additional requirements for the EU licence are found as for the national licence.

An example of good practise

This figure shows the administrative processes in the two countries that use less time per business based on common and additional data requirements.

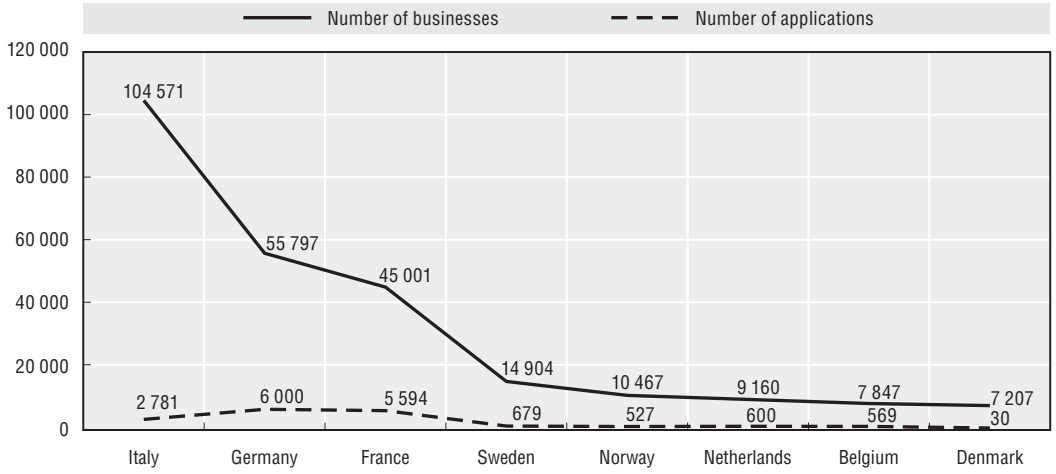
Figure 2.18. **The administrative process in Sweden and Denmark when applying for an EU licence**



Country level

At the aggregate level the total number of annual applications has an effect on the total impact on the sector. This means that the population is defined as the number of applications per year for EU community licences. The figure below shows the number of

Figure 2.19. **Number of applications for an EU licence in relation to the number of businesses**[1, 2, 3, 4, 5]



1. Turkey and New Zealand are not members of the EU and are therefore not in included in the figure.
2. The number of annual applications for an EU licence is based on the population in each country multiplied by the reported frequency. For Germany, the population median is used due to variation in the reported population.
3. The correlation between the number of businesses and the number of applications for an EU licence is 0.62.
4. The population is based on both common and additional data requirements.
5. The number of businesses in the transport sector is discussed in Annex 1.A1 on the road freight sector.

applications for EU licences in relation to the number of businesses in the national transport sectors.

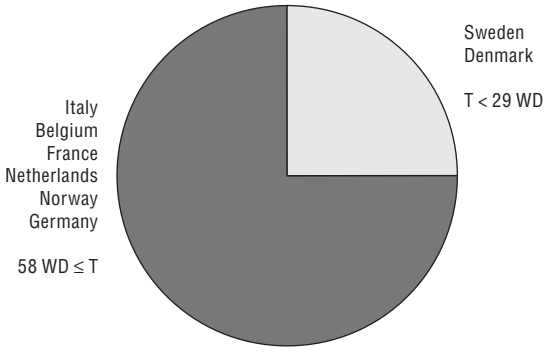
Figure 2.19 shows that the number of annual applications does not generally correspond to the size of the sector.[40] Even though Denmark has a relatively small transport sector they have reported a much lower population than what could be expected: only 30 applications for EU licences per year. This can be explained by the possibility for businesses to apply for an EU licence when applying for a national licence; therefore, there are only few pure applications for EU licences. This could for example be the case if a business that initially engaged solely in national transport wants to start transporting in the EU. For Germany, the number of annual applications is rather high, which is explained by the fact that a business with an EU licence does not need a national licence to conduct road freight. A business will thus be saved from spending time applying for a national licence, which is a way to limit the overall impact on the sector. Also the data for Italy show a population much lower than would be expected. It is not known why this is the case.

Based on the number of annual applications for an EU licence, it is possible to identify the aggregated impact of the information obligation at country level. Figure 2.20 shows the total time the national transport sector uses on applying for an EU licence.

The figure on the total time consumption has the same distribution as Figure 2.16, which showed the time per business. The total time spent by the sector to gain access to the EU market is less than a third of the total time spent applying for the national licence, and a little more than half the time spent applying for a renewal.

As with the national licence, the EU licence needs to be renewed every five years in accordance with EU legislation. It has not been part of the pilot study to measure the renewal time of the EU licence.

Figure 2.20. **The total time transport businesses in one country spend when applying for an EU licence**[1, 2]



1. Turkey and New Zealand are not included in the figure as they are not members of the EU.
2. The total time is the time spent per business multiplied by the rate and the frequency. In the figure the total time is shown as the number of working days. One working day is measured as eight hours.

Applying for an ECMT multilateral licence

ECMT licences are multilateral licences for the international carriage of goods by road between the 43 European countries that are members of ECMT. The provisions of the system are set out in ECMT Resolution CEMT/CM(2005)9/FINAL.[41] These licences can be used for international transport inside or outside the European Union, or between EU member countries and other European countries. With the enlargement of the European Union however, the need for ECMT licences has diminished for several western European countries, since transport operations with the former accession countries are now automatically covered by the EU licence. Of the countries surveyed in this report, New Zealand, the United States and Canada are not part of the ECMT area.

The ECMT licence system is quota-based to benefit undertakings from the ECMT member countries that engage in regular carriage for hire or reward between these countries. The licences are valid for one year, though countries are entitled to transform part of their quota into short-term licences of thirty days. Generally the ECMT licence can be used for all public road haulage operations between ECMT countries, subject to specific safety and environmental requirements applicable to the vehicles engaged in the system. Overall however, the ECMT licence only accounts for a small part of trade between the countries concerned.

Certain data requirements have been put forward to gain ECMT authorisation. Figure 2.21 shows the common requirements across countries for the information obligation "Applying for an ECMT licence".

Business level

Looking at the identical data requirements, these concern information on the business, the type of licence applied for, information on the vehicles, and other authorisations such as the national or EU licence. In some countries, the applicant must have an EU licence for freight transport to apply for an ECMT multilateral licence. In these cases, requirements such as proof of professional competence, good repute and financial standing are not sought again. Figure 2.22 shows the time consumption per business for the common identified data requirements regarding application for an ECMT licence per business.

Figure 2.21. **Data requirements when applying for an ECMT licence**

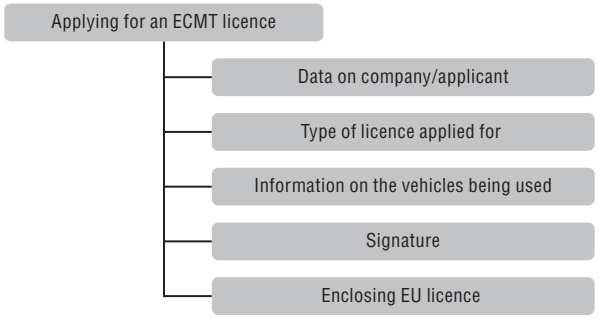
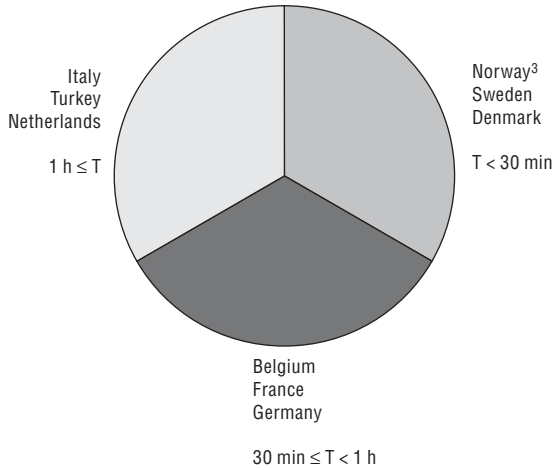


Figure 2.22. **Time spent per business when applying for an ECMT licence**[1, 2]



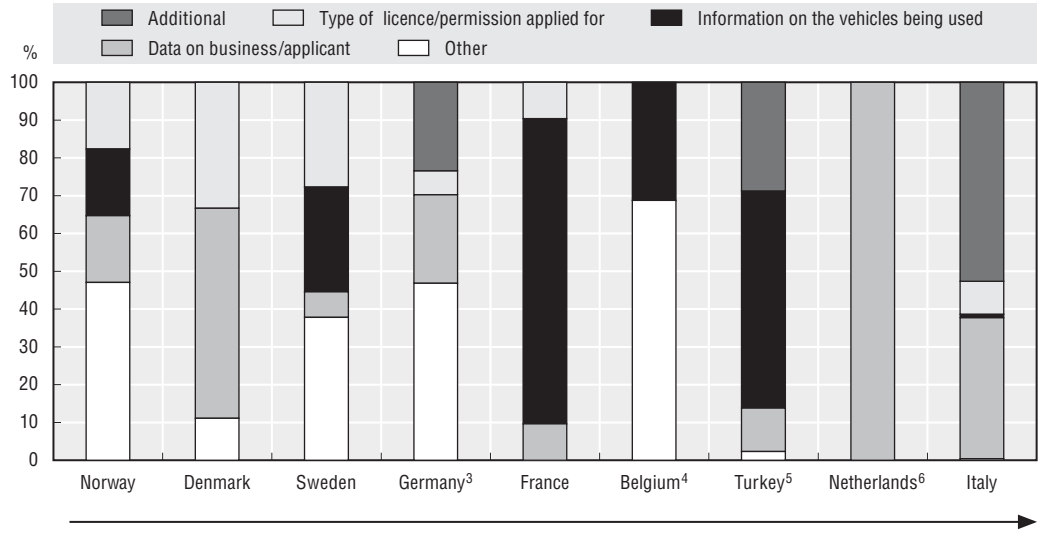
1. New Zealand is not shown in this figure because it is not part of the ECMT area.
2. Only the time spent on identical requirements is included in this figure.
3. For Norway, only the data on the applications for an ECMT licence with an EU licence is included because the normal efficient business already has an EU licence.

The figure shows that in Norway, Sweden and Denmark businesses use less than 30 minutes to comply with the requirements, whereas in Turkey and the Netherlands businesses use more than an hour and in Belgium, Germany and France the time is between 30 minutes and one hour. The time consumption is related to the time it takes to do one application based on the national requirements. The ECMT licence is valid for an unlimited number of transport operations between all ECMT countries during one year.

The single requirements, which are rather time-consuming for businesses applying for an ECMT licence, are obtaining the information regarding the vehicle, data on the applicant, and type of licence/permission applied for, which can be seen from Figure 2.23.

When the time used on the requirement "Data on business/applicant" is summed up, it is the most time-consuming data requirement when applying for an ECMT licence. However, for Turkey and France a relatively large amount of time is used on the data requirement "Information on the vehicles". In Denmark, the application for an ECMT licence can also be done electronically, which can be a way to minimise the time used for compliance.

Figure 2.23. **Relative distribution of data requirements with regard to obtaining an ECMT licence**[1, 2]



1. The figure reads in ascending order from left to right, in the sense that a business in the first country spends the least time on applying for an ECMT licence, and a business in the last country spends the most time.
2. The figure includes five categories: additional data requirements, the three most time-consuming data requirements across the countries, and the category Other. The latter consists of common data requirements which, across the countries, take up less time than the specified categories.
3. In Germany, the additional requirement is not applicable to all businesses.
4. For Belgium, the data requirement "Data on business/applicant" is contained in the data requirement "Enclosing EU permit"; therefore, the latter is overestimated. In this figure it is accounted for in the category Other.
5. For Turkey, the data requirement "Type of permit/permission applied for" is contained in "Data on business/applicant", which is therefore slightly overestimated.
6. For the Netherlands, "Data on business/applicant" is the only data requirement there is; it therefore accounts for 100% in the figure.

As Figure 2.23 shows, there are three countries that ask for additional requirements from businesses when applying for an ECMT licence. In the case of new applications, German businesses have to add a list of relevant transport operations. In Turkey, there is an additional requirement concerning the number of green, or environmentally friendly, vehicles. In Italy, the additional requirement is in relation to finding, reading and understanding the decree for the award of the ECMT licences, and enrolment in a register.

An example of good practise

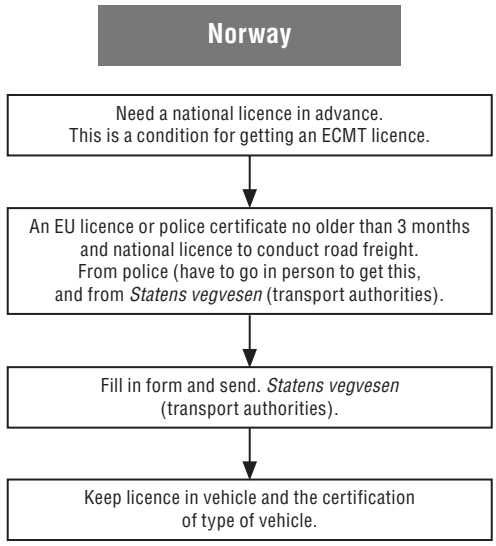
Figure 2.24 shows the administrative processes in the country that uses the least time per business based on common and additional data requirements.

In Norway, businesses have the possibility of applying for an ECMT licence in two different ways, depending on whether they have an EU licence or a police certificate. Norway has reported that all the applicants had an EU licence in 2005 and therefore the normal efficient business does not need to provide a police certificate. If the police certificate had been needed, the businesses might have used up more time because they have to obtain this certificate in person from the transport authorities.

Country level

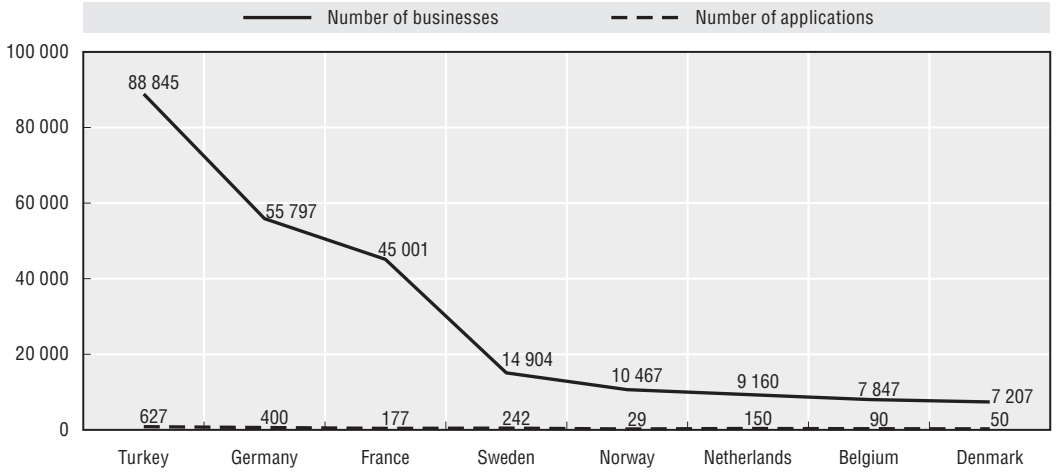
Generally, the number of annual applications for ECMT licences is expected to be relatively low in the EU countries due to the enlargement of the EU. For Turkey, the possible

Figure 2.24. **The administrative process in Norway when applying for an ECMT licence**



number of applications is limited because of a quota-based system. In parallel with the other licences the population is defined as the number of applications per year for ECMT licences. Figure 2.25 below shows the number of applications for ECMT licences in relation to the number of businesses in the national transport sectors.

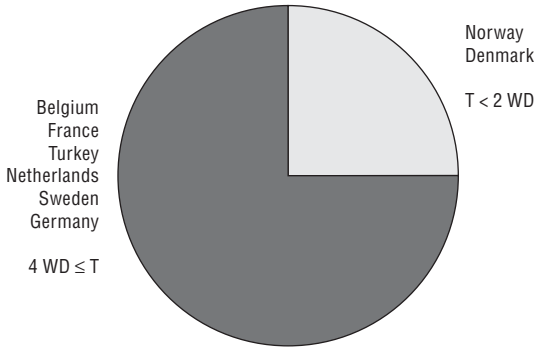
Figure 2.25. **Number of applications for an ECMT licence in relation to the number of businesses**[1, 2, 3, 4, 5, 6]



1. New Zealand is not included in this figure. The ECMT licence is not relevant for New Zealand because of the geographical location.
2. The number of annual applications for an ECMT licence is based on the population in each country multiplied by the reported frequency. For Germany, the population median is used due to variation in the reported population.
3. Italy is not included in the figure because it has proved difficult to identify a population for this Information obligation.
4. The correlation between the number of businesses and the number of applications for an ECMT licence is 0.92.
5. The population is based on both common and additional data requirements.
6. The number of businesses in the transport sector is discussed in Annex 1.A2 on the road freight sector.

Figure 2.25 shows that the number of annual applications is very low and that this is a general trend across countries.[42] The number of annual applications conveys an idea of the overall impact of the information obligation on the road freight sector. Figure 2.26 shows the total time the national transport sectors spend on applying for an ECMT licence.

Figure 2.26. **The total time transport businesses in one country spend when applying for an ECMT licence**[1, 2, 3]



1. New Zealand is not included in this figure because it is not part of the ECMT area.
2. Italy is not included in this figure because it has proved difficult to identify a population for this information obligation.
3. The total time is the time used per business multiplied by the rate and the frequency. In the figure the total time is shown as the number of working days. One working day is measured as eight hours.

The total time for Norway and Denmark is less than half of what the other countries spend when applying for an ECMT licence. But it is also clear from the figure that the overall impact is rather small, which generally might be explained by the fact that enlargement of the EU has reduced the need for ECMT licences for businesses in the countries included in the study, except Turkey.

Applying for a bilateral permit

Bilateral permits are generally based on agreements between the countries concerned and therefore do not have a uniform reference such as a UN convention or EU regulation. The identical data requirements concern information on the business, the type of permits applied for, information on the vehicles and other authorisations such as the national or EU licence. Only New Zealand is not concerned by this information obligation, because there is no international road freight. The regulation is specific to the sector.

Even though there is no common legislative reference, it is possible to identify a common set of requirements that are equal across countries. Figure 2.27 shows the common data requirements for the information obligation "Applying for a bilateral permit".

Business level

Identical data requirements concern information on the business, the type of permits applied for, information on the vehicles and other authorisations such as the national or EU licence. In general, the data requirements for the bilateral permits look very much like the ones for the ECMT licence. The figure below shows the time consumption per business for the common identified data requirements regarding application for a bilateral permit per business.

Figure 2.27. **Data requirements when applying for a bilateral permit**

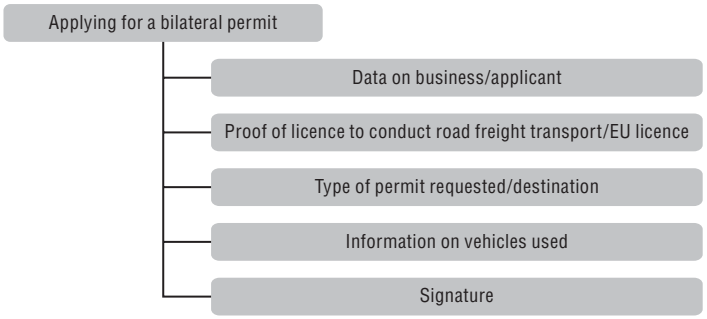
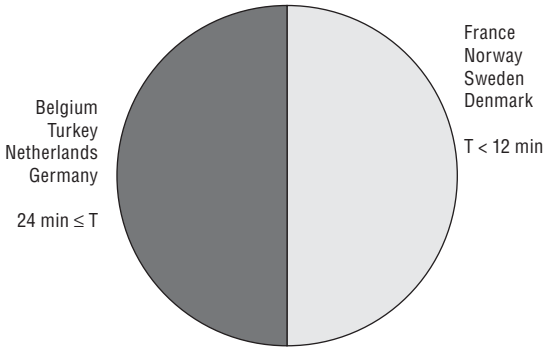


Figure 2.28. **Time spent per business when applying for a bilateral permit**[1, 2, 3]



1. Bilateral permits are not relevant for New Zealand, which is therefore not included in the figure; the country does not have international road freight transport due to its geographical location.
2. Italy is not included in the figure because data has not been available
3. Only the time spend on identical requirements are included in the figure.

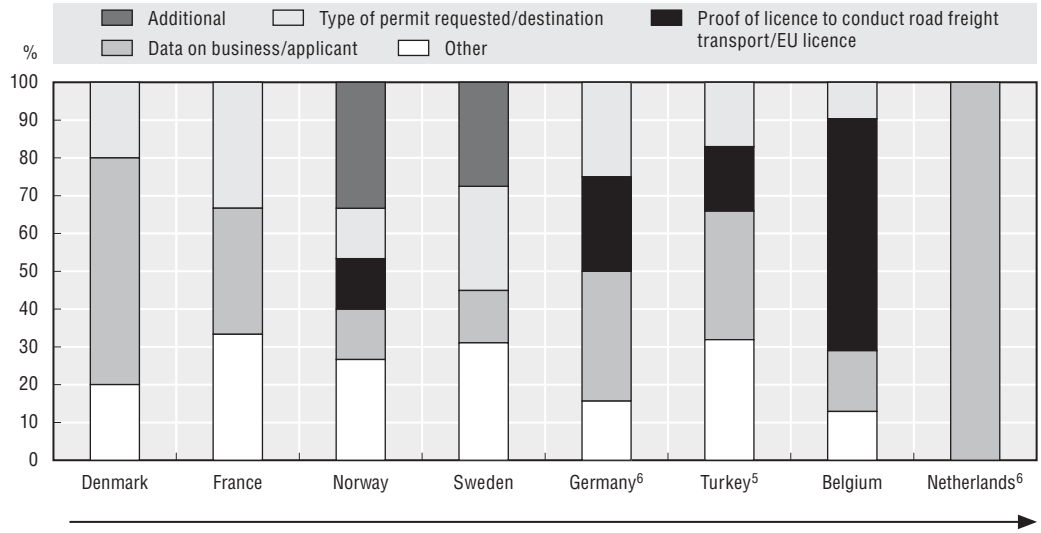
Figure 2.28 indicates that businesses in Norway, Sweden, Denmark and France have the lowest time consumption at business level when applying for a permit.[43] In comparison to other licences the bilateral permit shows much lower time consumption for the businesses applying. That might be related to the requirement to provide information on other existing licences (national, EU), where much of the relevant information on *e.g.* financial standing, good repute and professional competence will already be available. Figure 2.29 shows the distribution of the time on the most time-consuming data requirements across countries.

In general, as a minimum, 10% of the time is spent finding information on the business and the applicant. The same tendency is found for the type of permit requested/destination. In the case of Denmark, businesses do not have to provide information on other licences/EU licences or on the vehicles used. Germany and the Netherlands do not require information on the vehicles used either, which would seem to be the reason for less time used in total at business level.

In both Denmark and Sweden, it is possible to submit the application form electronically, a factor minimising the time spent by a business complying with the information obligation.

In both Denmark and France, there is no requirement to submit information on either an EU licence or a national licence to conduct road freight, which also minimises the time

Figure 2.29. **Relative distribution of data requirements with regard to obtaining a bilateral permit**[1, 2, 3]



1. The figure reads in ascending order from left to right, in the sense that a business in the first country spends the least time on applying for a bilateral permit, and a business in the last country spends the most time.
2. The figure includes five categories: additional data requirements, the three most time-consuming data requirements across the countries, and the category Other. The latter consists of common data requirements which, across the countries, take up less time than the specified categories.
3. Italy is not included in the figure because data has not been available.
4. In Germany, "Proof of licence to conduct road freight" is not applicable to all businesses and may therefore be overestimated in this figure.
5. For Turkey, the data requirement "Information on vehicles used" is contained in "Proof of licence to conduct road freight", which therefore might be slightly overestimated.
6. For a business in the Netherlands, there is only one data requirement when applying for a bilateral permit. That requirement thus accounts for 100% of time spent obtaining a bilateral permit.

used. In Germany, haulers have only to provide proof of licences to conduct road freight transport, if they apply for bilateral permits for the first time.

From Figure 2.29 on the breakdown, it can be seen that only Norway and Sweden have additional requirements for their businesses when applying for a bilateral permit. When both additional and common requirements are included, a business in Norway and Sweden will shift from the group with less than 12 minutes to the one with between 12 and 24 minutes. Swedish businesses spend additional time getting information on dates of the transport. Businesses in Norway spend extra time providing information on the load and unload in other countries. No other countries have additional requirements that businesses have to fulfil.

An example of good practice

Figure 2.30 shows the administrative processes in the country that uses the least time per business, based on common and additional data requirements.

Country level

Again, the number of applications annually conveys an idea of the overall impact of the information obligation on the sector. The population is defined as the number of applications per year for bilateral permits. Figure 2.31 shows the number of applications for bilateral permits in relation to the number of businesses in the national transport sectors.

Figure 2.30. **The administrative process in Denmark when applying for a bilateral permit**

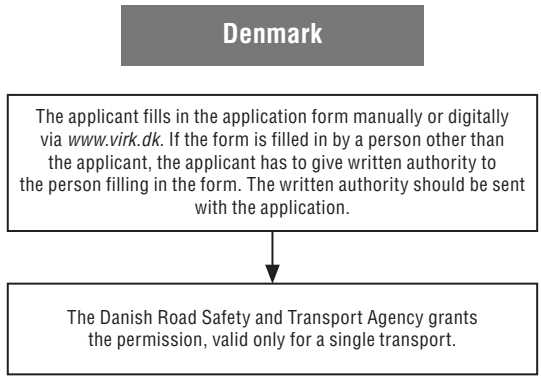
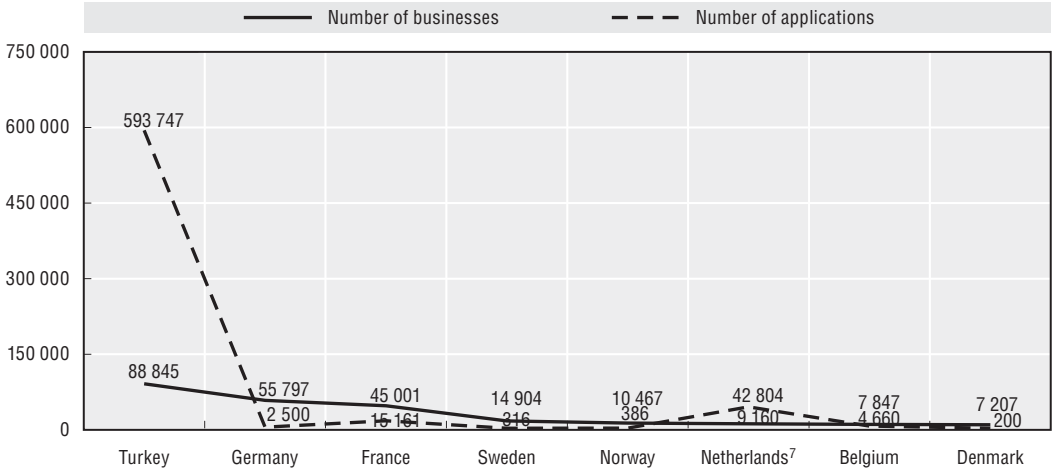


Figure 2.31. **Number of applications for a bilateral permit in relation to the number of businesses**[1, 2, 3, 4, 5, 6]



1. Bilateral permits are not relevant for New Zealand, which is therefore not included in the figure; the country does not have international road freight transport due to its geographical location.
2. Italy is not included in this figure because data were not available
3. The number of businesses in the transport sector is discussed in Annex 1.A2 on the road freight sector.
4. The number of annual applications for a bilateral permit is based on the population in each country multiplied by the reported frequency. For Belgium, the population median is used due to variation in the reported population.
5. The correlation between the number of businesses and the number of applications for a bilateral permit is 0.78.
6. The population is based on both common and additional data requirements.
7. The Dutch figures have changed since the measurement was completed, because of the enlargement of the EU. This is not reflected in the figure.

The figure shows some variation among countries; Turkey and the Netherlands especially stand out.[44] The Netherlands and Turkey have reported larger populations than expected from the number of businesses in the national transport sectors compared with other countries. The large population reported by Turkey can be explained by the fact that it is not a member of the EU. Also in Turkey, it is only possible to apply for one truck for one trip. This can of course expand the number of annual applications, when other countries have the possibility to apply for several trucks and trips in one application. In addition, the Netherlands has mentioned that the impact of this information obligation was halved in 2006 because of the increase in countries that are part of the European Union. The figures do not show that correction, since the measurement was made prior. Further, the Netherlands has mentioned that ECMT replaces trip permits for the countries involved.

In the case of bilateral permits, countries differ in the extent to which applications can be filed for more than just one lorry or one trip. Table 2.3[45] shows the application possibilities in the different countries.

Table 2.3. **Coverage of the bilateral permit**

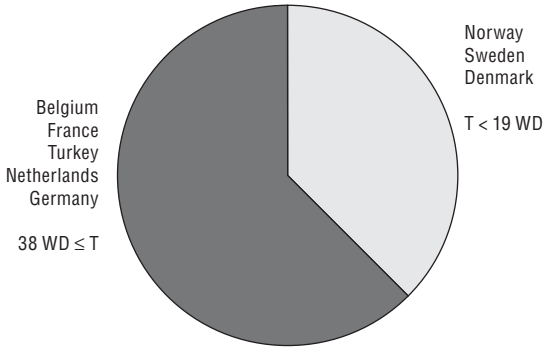
Only one lorry	More than one lorry	Only one trip	More than one trip
Germany	Germany	Germany	Germany
	Belgium	Belgium (bilateral)	Belgium[1]
Turkey		Turkey	
	Denmark		Denmark
	Netherlands		Netherlands
	Sweden		Sweden
			Norway

1. Valid for trucks already covered by an EU licence.

As 2.3 Table shows, there is some difference in what can be applied for. In Germany, there are many different forms of bilateral permits. The usual one is for one round-trip with one lorry; the registration number of the lorry has to be inserted in the permit. However, permits for an unspecified number of trips during a year are also available – there too, the registration number of the lorry has to be inserted in the permit. The different permits can be requested in one application form. In Denmark, applications can be submitted for more than one lorry and for several trips, which is also the case for the Netherlands and Sweden. But in Denmark, each permit is only valid for one trip.

Figure 2.32 shows the total time the national transport sectors spend applying for a bilateral permit.

Figure 2.32. **The total time transport businesses in one country spend when applying for a bilateral permit**[1, 2, 3]



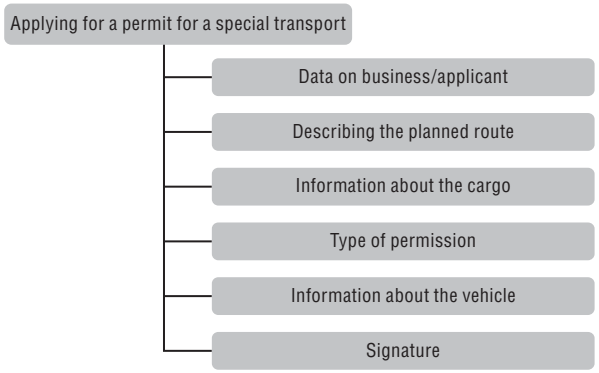
1. Bilateral permits are not relevant for New Zealand, which is therefore not included in the figure; the country does not have international road freight transport due to its geographical location.
2. Italy is not included in this figure because data were not available.
3. The total time is the time used per business multiplied by the rate and the frequency. In the figure the total time is shown as the number of working days. One working day is measured as eight hours.

The distribution of the countries in the figure correspond the size of the sector. The countries with most applications per year use the longest time in total. As the total time consumption per year in the sector shows, the overall impact is not immense when compared with some of the other licences.

Applying for a permit for special transport

Special transports[46] are, in all participating countries, based on purely national legislation. A special permit is used for transports that extend dimensions and weights normally licensed for road freight in the countries. These permits are specifically for road haulage. Figure 2.33 shows common data requirements across countries for the information obligation "Applying for a permit for special transport".

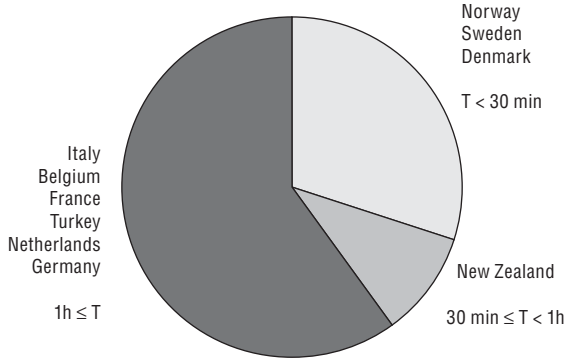
Figure 2.33. **Data requirements when applying for a special transport permit**



Business level

The main data requirements related to the information obligation are identification of the business, a description of the planned route and information on the cargo and the vehicle. Special transports are not uniform but can vary according to the load, which in very special cases might mean that roads have to be closed, electricity lines cut off, etc. The measurements look at the application for a more typical special transport. Figure 2.34 shows the time used per business to fulfil the data requirements.

Figure 2.34. **Time spend per business when applying for a special transport permit**[1, 2]



1. Only the time spent on identical requirements are included in this figure.
2. Time on test riding is not included in the measurements.

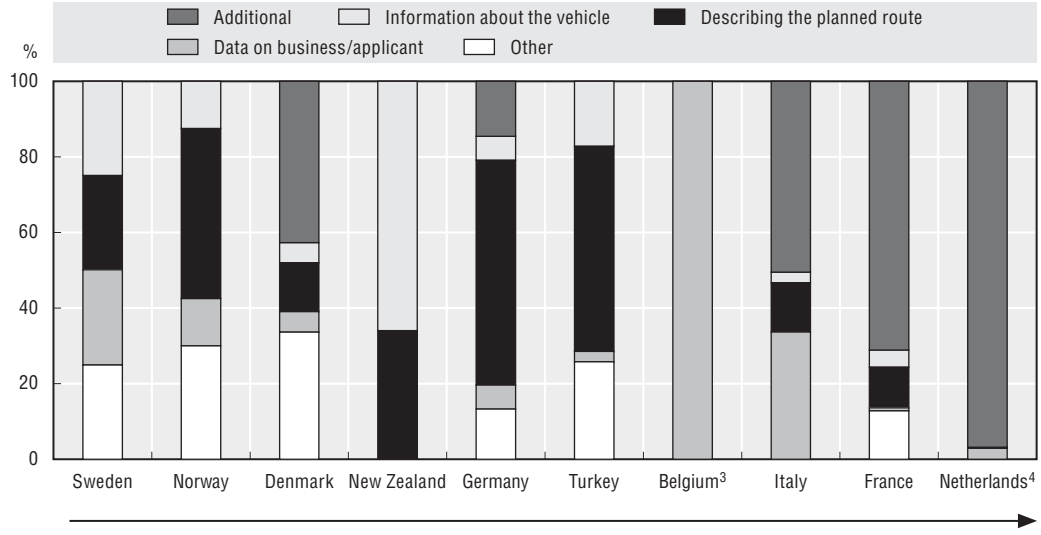
The figure shows that in Denmark, Norway and Sweden, trucking firms use less than 30 minutes to apply for a special permit, whereas in most other countries firms use more than one hour except for businesses in New Zealand, which use between 30 minutes and one hour. In some countries one application can cover a request for several trips or several lorries. Table 2.4 shows the differences between countries.[47]

Table 2.4. **The coverage of the special transport permit**

Only one lorry	More than one lorry	Only one trip	More than one trip
Germany	Germany	Germany	Germany
Denmark		Denmark	Denmark
	Belgium		Belgium
New Zealand		New Zealand	New Zealand
Netherlands			Netherland
	Turkey	Turkey	
	Sweden		Sweden
			Norway

The picture for the special permit shows much higher variation across countries than is found for some of the other licences.

Figure 2.35. **Relative distribution of data requirements with regard to obtaining a special transport permit**[1, 2]



1. The figure reads in ascending order from left to right, in the sense that a business in the first country spends the least time on applying for a special permit, and a business in the last country spends the most time.
2. The figure includes five categories: additional data requirements, the three most time-consuming data requirements across the countries, and the category "Other". The latter consists of common data requirements which, across the countries, take up less time than the specified categories.
3. For Belgium, all of the relevant data requirements are contained in "Data of business/applicant"; the category may therefore be somewhat overestimated.
4. In the Netherlands, additional requirements are needed in a few cases for "Specific information requirements for various special permits". Because this is only relevant to some businesses, the category may be overestimated.

One of the requirements that take time is producing a route description for the planned transport. Countries have not taken into account time used for actually test-driving the route, since this is usually done only in special cases. In the Netherlands, the local governments can require multiple applications covering every leg of the journey in order to carry out the special transport. This means that businesses will have to fill out several applications formulated by local governments, which will add to the time required. In 2006 however, the number of application forms was to be reduced to two, for long validity and one time authorisation respectively.[48]

Some countries allow businesses to fill out the form directly on the website and to submit the applications digitally. In Sweden, digital solutions are implemented for special permit applications, as part of a policy to reduce the time used by a business. In Denmark, businesses can send the application by email. In other countries, the businesses mostly buy a stamp and send the application form and annexes to the authority by mail. The Netherlands plans to make the process digital in order to reduce the time necessary.

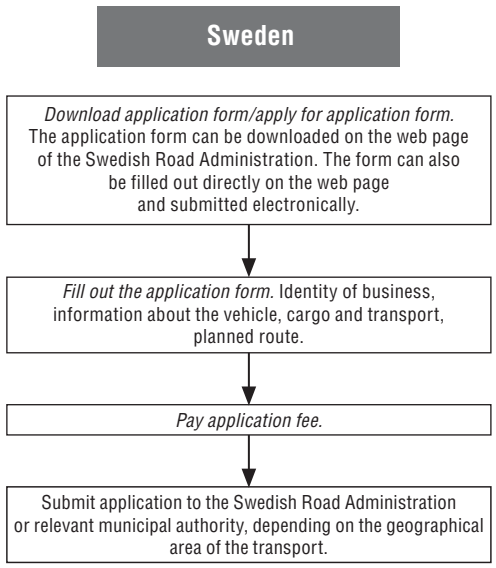
In the case of Denmark, the Netherlands, France, Italy and Germany, different additional requirements are identified. When both additional and common requirements are included, Denmark shifts from the group with lowest time consumption to the middle group, because the Danish businesses have to inform the regional police station of their destination and if a block car or a second wagon is attached they have to include the registration number and a classification certificate. In the Netherlands, businesses have the additional requirement to report specific information for various special permits. This will not have an effect for the general categorisation, because the Netherlands is already placed in the most time-consuming category.

Additional data requirements are also found in France, Germany and Italy. In France, the additional requirements are the provision of documents justifying the transport and the repartition of loads and third-category authorisation. In Germany, the additional requirements concern transport operations exceeding a distance of 250 km. These businesses must have a certificate confirming that transport by rail or waterway is not practicable, a declaration assuming liability, and a certificate of inspection for the routes, undertaken with the competent authority, if appropriate. In Italy, the additional requirements concern receipt of tax payment and delivering the form. All these additional requirements introduce extra costs for a business applying for a special permit.

An example of good practise

Figure 2.36 shows the administrative processes in the country that uses the least time per business when applying for a special permit.

Figure 2.36. **Administrative process in Sweden when applying for a special transport permit**

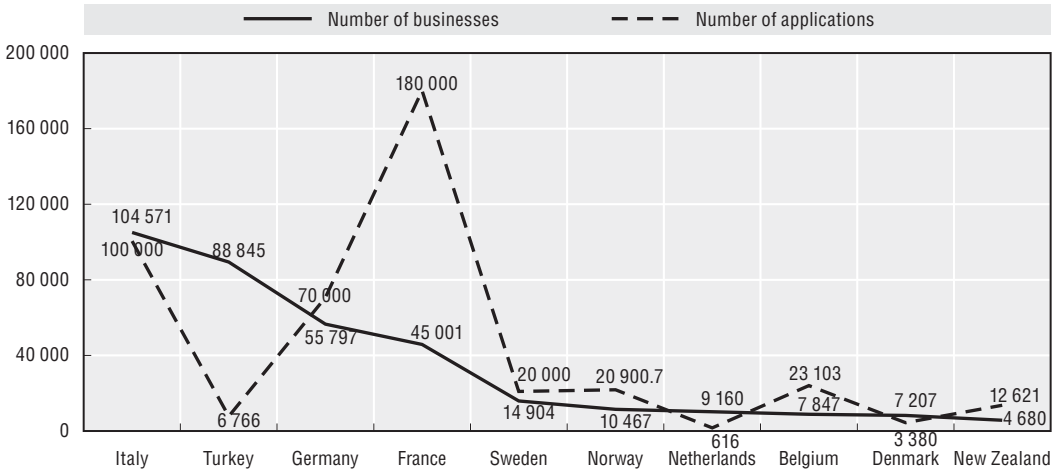


As the process shows, Swedish businesses can use the Internet to fill out the form and submit it to the relevant authority.

Country level

The overall impact of the requirements is related to how many applications businesses need to submit during the year. The population is therefore defined as the number of applications per year for permits to special transport. Figure 2.37 shows the number of annual applications for permits to conduct special transport in relation to the number of businesses in the national transport sectors.

Figure 2.37. **Number of applications for a special transport permit in relation to the number of businesses**[1, 2, 3, 4]

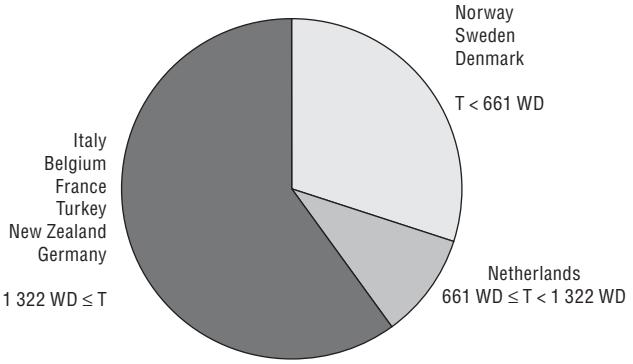


1. The number of annual applications for a special transport permit is based on the population in each country multiplied by the reported frequency. For Belgium, the Netherlands and Germany the population median is used due to variation in the reported population.
2. The number of businesses in the transport sector is discussed in Annex 1.A2 on the road freight sector.
3. The correlation between the number of businesses and the number of applications for a special transport permit is 0.45
4. The population is based on both common and additional data requirements.

Figure 2.37 shows large differences between countries in the number of annual applications. These can stem from differences in the national requirements relating to when a special permit is needed, since there is no supranational harmonisation in this area. The types of services the sector includes shows the total time the businesses in the sector spend in each country on applying for a special transport permit.

Figure 2.38 shows that at the aggregate level the impact regroups countries, which results in New Zealand being in the highest range, the Netherlands in the middle and Denmark in the lowest. And there is a significant difference between the lowest, spending less than 661 working days a year in the sector to comply with the information obligation, and other countries in the sector, with more than 1 322 working days. Since only a few businesses in the Netherlands spend time on specific information requirements for various special permits, the overall picture is the reverse of that at business level.

Figure 2.38. **Total time transport businesses in one country spend when applying for a special transport permit**[1]



1. The total time is the time used per business multiplied by the rate and the frequency. In the figure it is shown as the number of working days. One working day is measured as eight hours.

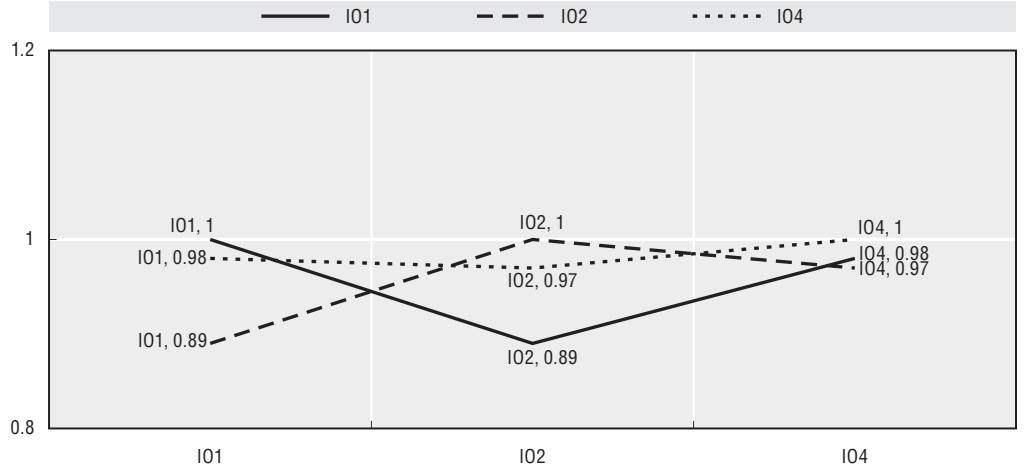
Indicators on permits and licensing – overall trends

Indicators regarding the permits and licensing analysed above appear to signal trends. These relate to the data requirements requested in some of the indicators as well as the use of digitalised reporting measures. This section will look further into these possible cross-cutting issues. The focus will be, first, on the connection between indicators, and afterward on digital solutions.

Is there a link between the information required for the different licences?

For the permits and licences analysed in the previous section there appears to be time correlations among the indicators (Figure 2.39).

Figure 2.39. **Time correlations between national licence, renewal and EU licence**[1, 2, 3, 4, 5]



1. The figure is based on common data requirements only.
2. Correlation is at business level.
3. Data from New Zealand are not integrated in the figure, because only IO1 applies for that country.
4. IO4, EU licence, does not apply to Turkey, which might influence the correlation.
5. For Belgium there are no data on IO2, because the national licence is renewed automatically.

The overall picture reveals a strong correlation between the three indicators – ranging from 0.89 to 0.98 – which indicates a correspondence in time consumption for a business across countries. Applying for national licences correlates highly with renewal of a national licence (0.89), and with applying for EU licences (0.98). This underlines that for these licences much of the same information is asked, and that the time spent by business on each information obligation varies as it does for indicators. In countries where a business would generally spend little time on complying with the requirements for a national licence, there also tends to be low time consumption on the indicators where the correlation is strong. This indicates that some of the same administrative procedures might be found, since the information requested is parallel.

It therefore may be relevant to discuss whether there is a need for all three kinds of licences when they are based on very much the same information. For example, in Germany the EU licence can substitute for the national licence, and in the Netherlands a single licence system is being introduced.

Use of digital solutions

Based on the data received it is possible to have an indication of the extent to which information reporting can be done digitally via the Internet. Reporting is rarely purely digital. However, in several cases there is the possibility for businesses to choose between reporting manually or digitally, which means that the information can be submitted by post, fax or the Internet.

For the information obligations where reporting is a logic necessity, *e.g.* in relation to applications, countries differ in how far digital solutions are available. Based on the data received from participants and the previous discussions it is clear that some countries introduced digital solutions for businesses to be able to apply on line. Looking at the information obligations[49] where there is a clear need to report to authorities, the availability of digital provisions differs per country, as shown in Figure 2.40.

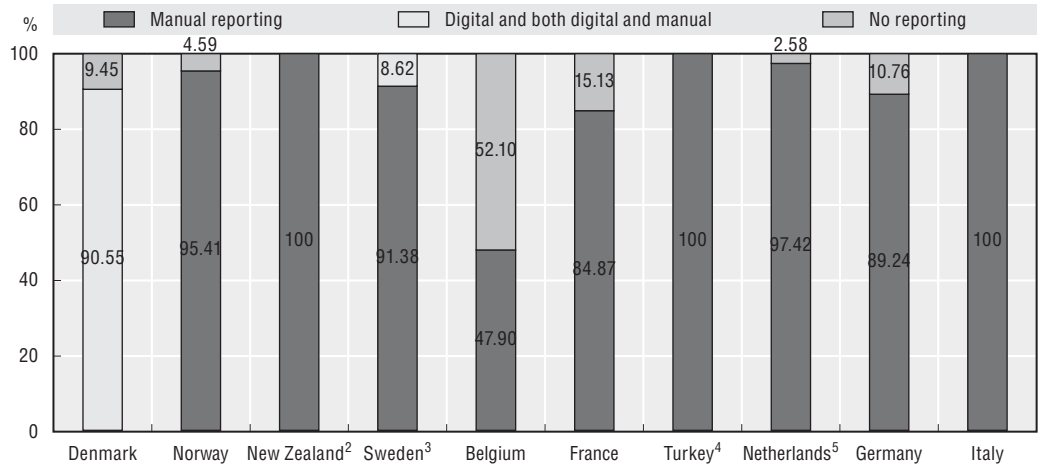
In the case of Denmark, digital reporting is possible for over 90% of the information obligations.[50] In Sweden, it is possible in around 10% of the cases. However, when looking closer, the figure also shows that for Denmark, all the reporting required is actually possible in a digital way, for the rest no reporting is necessary. In relation to Sweden, even though the percentage of the total time is low with regard to digital reporting, the 10% actually covers several licences, which also explains why the time consumption is rather low.

In many countries it is possible to request an application or questionnaire as a digital form and then apply manually. This is, however, considered a manual process. Such is the case in Norway and Germany, where it is possible to use the Internet in different ways to gather the relevant information for, *e.g.,* the national licence. That may be a reason for the low time consumption, even though the full application process is not considered as digital. Germany has also mentioned that faxing is used to both request and submit applications.

The figure shows that digital solutions are found in two out of the four countries with the lowest time consumption. It should be remembered that the total time used for a business in New Zealand is only based on two indicators due to the lack of international transport, whereas for most of the other countries it is based on six. Further, it has been noted by the Netherlands that introducing digital solutions has reduced the time used by businesses to comply with several of the licences analysed. However, this is not reflected

Figure 2.40. **Total time reporting for all licences and permits, by reporting method**[1]

Business level



1. The countries are listed from least time consumption (left) in total per business to most time consumption (right).
2. For New Zealand, only two licences are included, since the others do not apply. .
3. In Sweden, whether or not a digital solution is offered depends on the county. For the application of a national licence, the manual solution has been measured, it accounts for about 80% of the total time used.
4. For Turkey, the EU licence is not included, because it is based on EU membership.
5. In the Netherlands, generally the digital solutions for the licences concerned were introduced after the time of measurement.

in the figure because the digital initiative was introduced after the measurements were performed.

Overall, the use of manual reporting correlates with the total time spent on applying for the licences at about 0.70. This indicates that use of digital solutions supports low time consumption by businesses. The degree to which a digital solution helps minimise time will of course rely on how it is structured, because that might also determine the benefits and willingness of a business to substitute digital for manual reporting. Some prerequisites would include the possibility of sending in copies instead of originals, the use of digital signatures, legal provisions, etc.

As an example, Denmark has created a digital access point to the Danish authorities in the form of one combined portal, called *Virk.dk*. Businesses can find the relevant application forms at the website and submit them electronically.

Finally the figure gives an indication of the total time used by businesses for all permits and licences. In general, businesses in the Nordic countries have identified the lowest time consumption across the indicators on licences and permits. New Zealand also has a very low total time consumption, which is however only based on two indicators.

Summary

In an overall perspective, the permits and licences analysed in this section offer a perspective on the administrative burdens faced by businesses in different countries when they wish to gain access to the road freight sector, either nationally or internationally. On the one hand it shows what a typical business is confronted with as regards requirements and administrative options in the different countries. On the other hand, by looking at the impact on the aggregate level, it gives an idea of the country impact of the information obligations on these businesses.

The cross-country comparison also suggests different ways of handling equal information obligations, identifying good practises that can inspire national simplification of administrative processes. As mentioned, the study does not consider the purposes of the legislation in question, which is left for the national authorities to consider in their simplification work.

The following general approaches, found across all the licences analysed, tend to have a minimising effect on the time businesses spend in complying with the obligations:

- Data sharing among authorities of information on, for example, good repute and financial standing.
- Making the application process digital, meaning that both filling in and submitting the application can be done on line.
- Making it possible to attach copies instead of originals, which should also facilitate the use of digital solutions.
- Minimising additional requirements.
- Abolishing the obligation for renewal of the national licence by making it valid for life or enabling automatic renewal.
- Using the EU licence as national licence, which limits the target group for the national licence, and eventually creating a single licence system.

As for the digital solutions, only a few countries have taken this path to simplifying administration. Even though not all countries have fully digitalised services, many already have options making it possible to get *e.g.* forms and other information via the Internet. This can explain why some countries have low time consumption without having fully digital solutions.

For renewal of the national licence, the time spent can be minimised by more or less the same approaches used for acquiring the national licence. However, more far-reaching ways of minimising the administrative burdens on businesses have been identified: either automatic renewal, as in Belgium, or simply abolishing the obligation, as in New Zealand. Following the approach taken by New Zealand would, in a European context, entail adjustments of the relevant EU directive, which means that it would be a supranational rather than national matter. At the same time, Belgium and to a certain degree Germany have in implementing the EU legislation shown ways that in the long run might be less costly for businesses.

Concerning the national licence, its renewal and the EU licence, it should be considered whether the procedures could be simpler when they are generally based on the same kind of information. In Denmark, the application procedures for the national and EU licence can be done in one process, where ticking of a box would indicate if the application is for an EU permit. As Germany has already introduced the EU licence as a substitute for the national licence, the reason for having two different licences and their respective renewal can be questioned. By having only one licence – a single-licence system as provisioned by the Netherlands – a business would avoid several application procedures. In a situation with further liberalised markets it is possible to consider the option of reducing administrative burdens further by using a single-licence approach.

Data sharing between authorities is also a good tool for minimising the time used by a business, as shown in relation to *e.g.* information on financial standing and good repute.

And finally, minimising additional requirements can in some cases also make a difference in the total time identified.

Indicators concerning businesses in the market

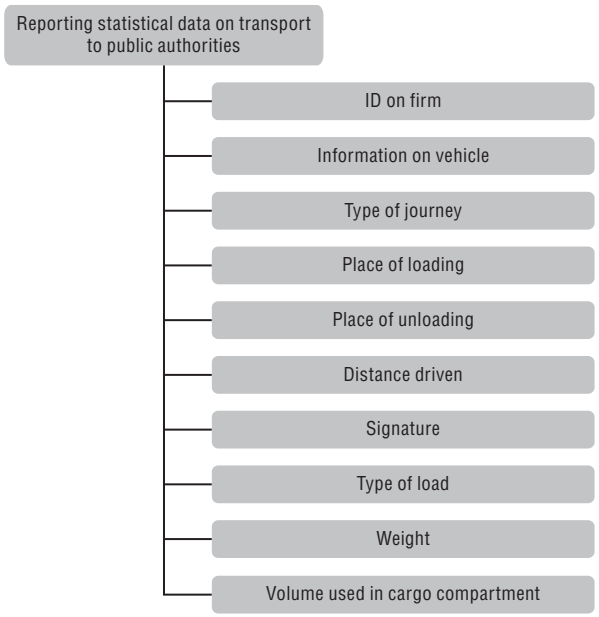
Whereas the previous section looked at indicators concerning permits and licences, this section will focus on some of the obligations met by businesses in the road freight sector when they operate in the market. The indicators concerned are reporting on statistics and the employment contract/relationship when hiring a new worker. As in the section on licences and permits, a key question is asked: to what extent is comparison possible based on the available data? The analysis will also provide an opportunity to draw some lessons on the comparability of data in relation to the RTA method.

Reporting statistical data on transport to public authorities

In most countries a business in the road freight sector can be obliged to submit information on their work and transports in order for authorities to obtain statistical information. In Europe, the collection of transport statistics is regulated by Commission Regulation 2163/2001 (EC) and Council Regulation 1172/98 (EC)[51]. Certain businesses selected for a random sample provide data on the vehicle. In Turkey, an obligation to provide information for statistical purposes is also found. The indicator is specific to the road freight sector.

The data required concerns the transports and what is transported. Figure 2.41 shows the common data requirements across countries for the information obligation "Reporting statistical data on transport to public authorities". *Inter alia*, these include information on the load, place of loading/unloading, weight, volume, type of journey, ID of the firm, and information on the vehicle. For the EU, statistics specific questionnaires are issued.

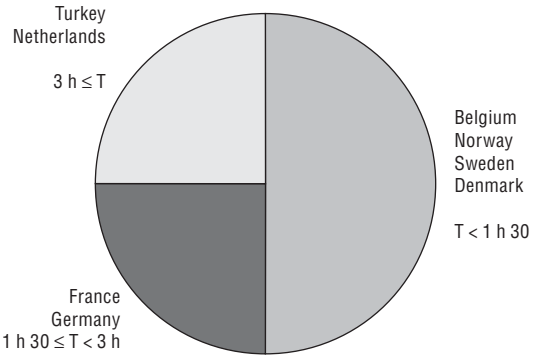
Figure 2.41. **Statistical data requirements when reporting to the authorities**



Business level

The main information to be delivered is on the firm, the vehicle, the transports and the goods. A sample of businesses generally has to cover a fixed period. The reporting unit is the vehicle. Figure 2.42 indicates the time spent per business on reporting statistics.

Figure 2.42. **The time spent per business when reporting statistical data to the authorities**[1, 2, 3]



1. New Zealand is not included in the figure because the information obligation does not apply.
2. Italy is not shown here due to lack of available data.
3. Only the time spent on identical requirements are included in the figure.

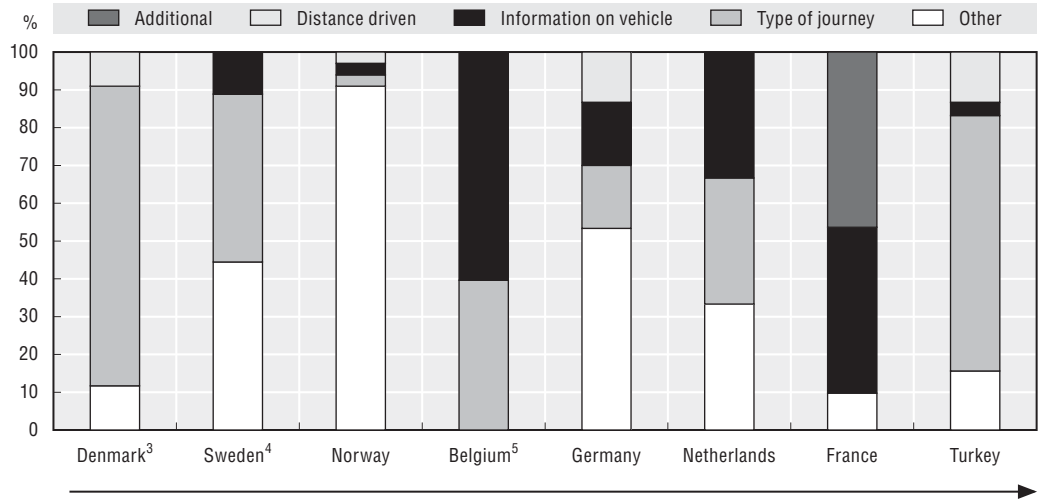
Figure 2.42 indicates that in Belgium, Denmark, Norway and Sweden, businesses spend less than 90 minutes providing the authorities with statistical information. In France and Germany, businesses spend between 90 minutes and three hours complying with the common obligation, whereas in Turkey and the Netherlands more than three hours are needed. Figure 2.43 shows the relative distribution of time for a business in each country in relation to the most time-consuming data requirements.

One of the time-consuming issues in reporting statistical data is related to the type of journeys taken, as can be seen in Figure 2.43. Reporting information on the vehicle is also very time-consuming, but generally across countries there is not a large variation in the time used per single data requirement. An exception is Turkey, where a business is required to report the trips to Europe and Asia in detail; that constitutes a major portion of the total time consumption.

As with licences and permits, reporting statistical data has in several countries benefited from digital solutions. This is the case in Denmark and Sweden, which can explain why their time consumption is lower. In the case of the Netherlands, digital solutions of this information obligation were introduced after the measurements where conducted, which is why the reductions obtained are not reflected. In Germany, it will be possible to fill out and send the statistics questionnaire in a digital way by the end of 2006. This however is not reflected in the data used for the analysis.

Further, several countries noted that the information obligation has been mentioned by businesses as very difficult and irritating: the questionnaire is considered too detailed and the coverage too broad. These requirements can in some cases lead to the questionnaire being completed incorrectly. It has also been mentioned that some businesses untruthfully inform the authorities that the vehicle has not been active in the period concerned. Analysis of the information obligation highlights a discrepancy between

Figure 2.43. **Relative distribution of data requirements when reporting statistical data to the authorities**[1, 2]



1. The figure reads in ascending order from left to right, in the sense that a business in the first country spends the least time on reporting statistical data to the authorities, and a business in the last country spends the most time.
2. The figure includes five categories: additional data requirements, the three most time-consuming data requirements across the countries, and the category "Other". The latter consists of common data requirements which, across the countries, take up less time than the specified categories.
3. For Denmark, the time spent is based on a national journey.
4. The data requirement "Type of journey" is somewhat overestimated for Sweden since other data requirements are included herein.
5. Belgium has most of the identified data requirements yet most of these are contained in "Information on vehicle", which leads to overvaluation of the category.

full and actual compliance, a finding that calls for further analysis of the need and potential for simplification in this area. Lack of full compliance challenges the purpose of the legislation and its implementation.

In France, additional information is required from businesses when delivering statistical information to the authorities. A typical, normally efficient business in France would be in the highest total time consumption category: over three hours are spent on reporting statistical information to authorities when the additional requirements are taken into account. The latter include reporting the number and categories of employees and number and kind of agreements.

An example of good practise

Denmark spends the least time on reporting statistical data to the authorities, but information on the administrative process in Denmark was not available. Therefore, Figure 2.44 shows the administrative processes in Sweden. The time consumption identified in the two countries is rather similar.

Country level

At the country level, it is possible to identify the impact on the sector as a whole. The population was originally defined as the number of businesses selected for statistical reporting on the carriage of goods by road per year. However, countries vary in the actual definition of the population used for this indicator, since some have used the original definition and others the number of vehicles selected. The table below shows the

Figure 2.44. **The administrative process in Sweden for reporting statistical data to the authorities**

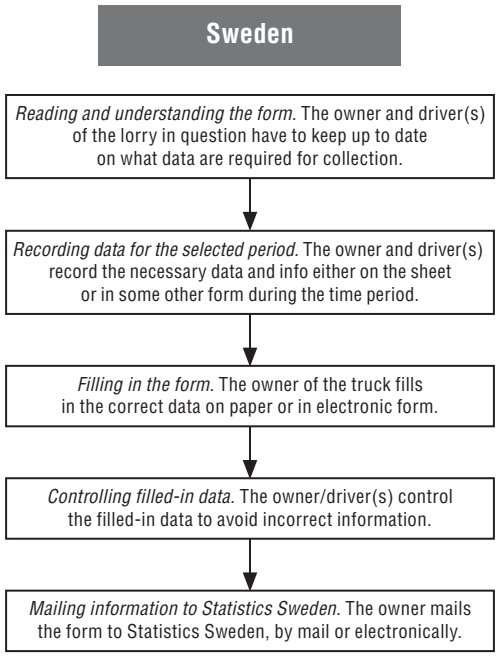


Table 2.5. **Size of population and definition for statistical reporting to the authorities**[1, 2]

Country	Turkey	France	Germany	Sweden	Norway	Netherlands	Belgium	Denmark	Italy
Population + definition	1 165 number of businesses	N.A.	9 400 number of businesses 66 000 number of vehicles	3 056 number of vehicles	3 800 number of vehicles	1 600 number of businesses	5 118 number of vehicles 311 number of businesses	3 176 number of businesses	N.A.
Frequency of questionnaires per business/ year	2 per year	N.A.	Most one per year, but average would be 3	More than one per year	2-3 per year	One per year	N.A.	N.A.	N.A.
Coverage: international/ national transports	Only international	N.A.	Both	Both	Both	Both	N.A.	Both	N.A.

1. Information on population was not available for France and Italy.
2. New Zealand is not included, because the information obligation does not apply.

populations identified by each country and the definition used. Further, the table indicates how often a business will have to submit a questionnaire during the year.

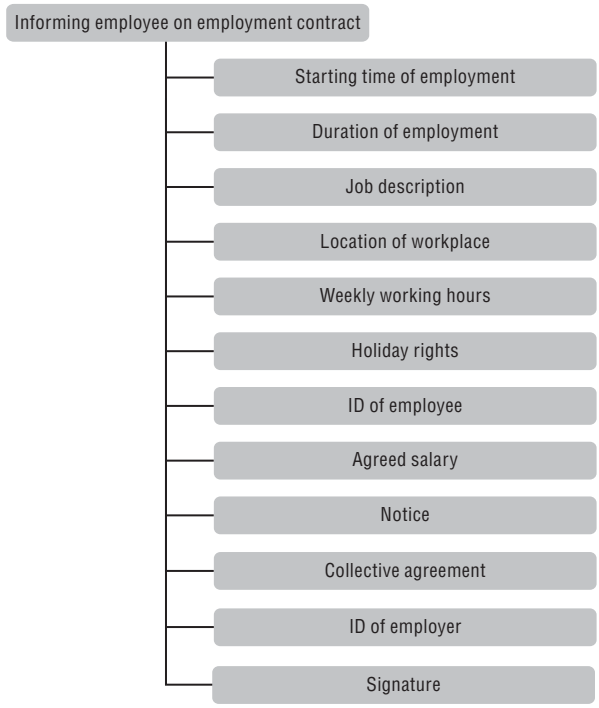
Informing employees about employment conditions/contract

In Europe the obligation to inform an employee about the employment conditions/ contract is regulated at EU level via EU Directive 91/533.[52] Outside Europe, in both the United States and Canada there is no legal obligation to inform employees, whereas there is legislation in both New Zealand and Turkey. It should be noted that a new Working Environment Act has come into force for EU member countries from 1 January 2007.[53] This of course means that certain aspects can have changed since the time of the measurement. The information obligation is general, which means that it also covers businesses outside

the road freight sector. Figure 2.45 shows the common data requirements across countries for the information obligation "Informing employees on employment conditions/contract":

Figure 2.45 shows that employers commonly have to inform employees on working hours, salary, holiday rights, tasks, location of work, starting date of the employments and its duration, as well as the ID of the contracting parties.

Figure 2.45. **Data requirements when informing employees about the employment contract**



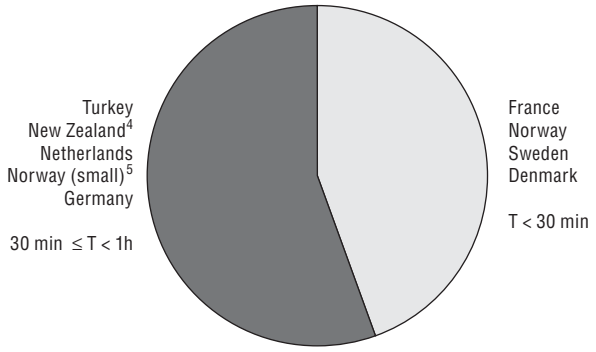
Business level

For the countries included in the study, the time a business takes to follow the requirements when hiring a new worker differs among countries. Figure 2.46 below shows the time spent by a normal business to inform an employee about the employment contract/conditions.

Figure 2.46 shows that countries are split into two groups. In one, that includes France, Norway, Sweden, and Denmark, a business normally spends less than 30 minutes complying with the common data requirements. Another group is formed by Germany, Turkey, New Zealand and the Netherlands, where a business uses between 30 minutes and one hour to comply with the common requirements. Further, in Norway a small business would also typically use between 30 minutes and one hour. In general, the time consumption per business varies relatively little across countries.

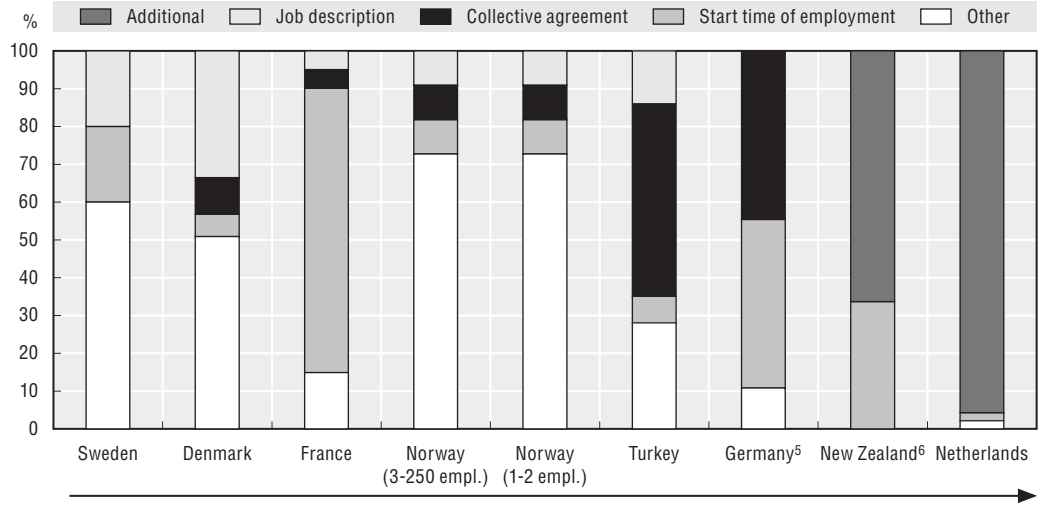
The specific information that employers are typically requested to supply to employees concerns information on how to perform the work, the working hours, salary, duration, notice, holiday rights and collective agreements. Distribution of the data requirements that take up most of the total time for a business is shown in Figure 2.47.

Figure 2.46. **Time spent per business on informing employees about the employment contract**[1, 2, 3]



1. Italy is not included in this figure because data was not available.
2. Belgium is not included in this figure because the laws on employment are different from those of the other countries.
3. Only the time spent on identical requirements are included in the figure.
4. For New Zealand, time consumption reflects the time used by businesses that use individual agreements.
5. Norway has segmented businesses into the categories of big and small businesses. The majority of businesses are in the big category.

Figure 2.47. **Relative distribution of data requirements with regard to informing employees on employment contract**[1, 2, 3, 4]



1. The figure reads in ascending order from left to right, in the sense that a business in the first country spends the least time on informing an employee about the employment contract, and a business in the last country spends the most time.
2. The figure includes five categories: additional data requirements, the three most time-consuming data requirements across the countries, and the category Other. The latter consists of common data requirements which, across the countries, take up less time than the specified categories.
3. Italy is not shown in the figure because data was not available.
4. Belgium is not included in the figure because the laws on employment are different from those of the other countries.
5. For Germany, "Job description" is included in "Start time of employment", which overestimates the latter.
6. For New Zealand, the time consumption reflects the time spent by businesses that use individual agreements.

In Germany and Turkey, the collective agreements are a relatively time-consuming data requirement. Another aspect that takes time when informing in writing on the employment contract is the job description and the starting time.

In Norway, the relevant businesses were split up into small and larger businesses[54] in order to see if there was a difference in the time used. The segmentation indicates that

larger businesses use less time than the small businesses when complying with the information obligation. This is generally explained by the fact that larger businesses often have a standard format and procedures that have only to be adjusted, whereas a small business might have to start from scratch every time. This finding confirms those of earlier studies carried out by the OECD on the relation between compliance costs and firm size: that relation is a regressive effect, indicating economies of scale with regard to regulatory compliance (OECD, 2001). It could therefore be useful to have a standard format for such contracts, especially considering the number of small businesses in the sector. Norway was the only country to segment businesses for analysis; it should, however, be noted that the time difference between large and small businesses there is not extensive.

The employment relationship differs among countries in terms of whether or not the agreement has to be in writing. In Denmark, Norway, Sweden, the Netherlands and Turkey there is an obligation to have a written contract. In Sweden and Denmark, there generally is a format available for issuing contracts, which can explain the low time consumption.

In Belgium, an employment contract with the employee only concerns employees with part-time contracts or contracts of defined duration. For full-time employees there is an obligation to have an employment regulation in each business that covers all employees. The procedure for employment regulation takes up a significant amount of time. The advantage however is that it only has to be made once, because it applies to the entire business and all the employees. In New Zealand too there is a collective agreement that can be used (10% of employment in the road freight sector) instead of individual contracts (90%).

In EU countries, the information must be provided when the duration of employment exceeds a month. In Turkey, on the other hand, the obligation to inform the employee in writing on the employment relationship is not relevant unless the duration of the employment exceeds a year.

As can be seen from Figure 2.47, both New Zealand and the Netherlands have reported additional requirements, which in total make a normally efficient business in either country spend more than one hour on complying with this information obligation. In the Netherlands' case the additional requirements concern informing the employee on work risks, education, etc. In New Zealand, the additional requirements concern requests such as tax, bargaining information, etc.

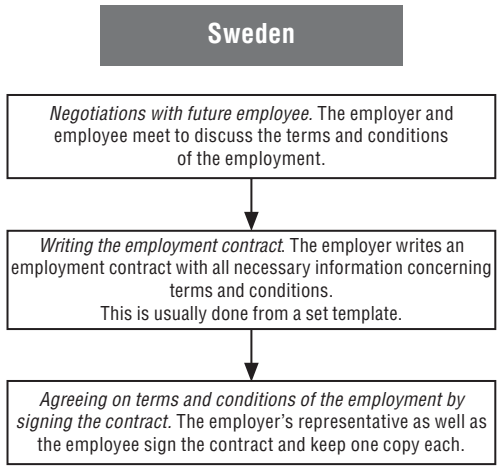
An example of good practise

Figure 2.48 shows the administrative processes in the country that uses the least time per business on common data requirements.

Country level

Looking at the number of employment contracts in the sector during one year would give an indication of the impact of the information obligation on an aggregate level. The population is defined as the number of persons employed per year in the road freight sector for which it is necessary to inform employees about employment conditions/ contracts. However it has been difficult for countries to identify the population accurately, because of lack of statistical information, etc. Moreover, several countries have not submitted population data on this information obligation. Therefore, no calculations are performed for the country level.

Figure 2.48. **Administrative process in Sweden for informing employees about the employment contract**



Summary

The indicators analysed in this section relate to obligations that businesses are likely to be faced with when operating in the sector. Overall there are differences in the time businesses spend on these indicators in the different countries. The analysis has also shown that these indicators have been more difficult to analyse at the aggregate level, mainly due to the difficulties in defining the population for each indicator. In that regard the indicators in the previous section can be considered more complex.

Another finding relating to the indicator on statistics is a certain discrepancy between full and actual compliance. In cases where the aggregate impact has been quantified this would of course imply a certain overestimation. But more interestingly, the discrepancy stresses that the legislation is not followed, which means that the objectives of the legislation are challenged. How much the actual compliance is lower than the full compliance has not been investigated, but several countries have mentioned the issue. At this point the reasons for not complying amount to only sporadic explanations, but this kind of input should nonetheless be taken into consideration for future work on simplification.

When looking at the analysis of reporting statistical data and issuing an employment contract, different elements have been found that tend to minimise the time spent by a normal efficient business. These are listed below:

- Use digital solutions for reporting statistics.
- Use standard formats for employment contracts if they have to be in writing.
- Minimise the use of additional requirements.

Indicators that have not been analysed

This RTA study has also shown that some indicators were not easily comparable. This section discusses those that have not been used in cross-country comparisons for various reasons. Apart from presenting the reasons for not comparing the single indicators, these experiences should be taken as learning points in case new comparisons are to be made based on the RTA approach.

The indicators discussed are:

- Registering a vehicle.
- CMR/consignment note.
- Hours of service.
- Indicators concerning Transport of Dangerous Goods: "approval of vehicle for transport of dangerous transports/ADR certificate of approval", "information required to be kept in the vehicle during transport of dangerous goods" and "appointment of a safety advisor for the transport of dangerous goods".
- Vehicle undergoing periodic roadworthiness test (MOT).
- Reporting information on tax to authorities – withholding tax; and reporting information on tax to employee.
- Reporting information on tax to authorities – paying wages.

Registration of a vehicle

Within Europe the registration of vehicles is regulated by Council Directive 1999/37/EC.[55] For countries outside Europe the obligation is identified as being of national origin. The information applies generally to registration of all types of vehicles.

It has been noted from several participants that this information obligation has been difficult to analyse due to different issues. There have been diverging approaches in how far the registration covers both new and second-hand vehicles, which translates into different points of departure for identifying the relevant data requirements. This illustrates the challenge in establishing a comparable breakdown of the information obligation, discussed in Annex 1.A1 under the section "Breakdown into data requirements and activities". Many countries have accordingly reported varying populations or rates.

In some cases a new vehicle would be registered by its seller, importer or manufacturer rather than the hauler. That way the trucking businesses do not have an administrative burden. Further, it has been mentioned by one country that small trucking businesses tend to buy second-hand vehicles whereas the bigger ones invest in new vehicles or lease them. This would of course imply that different kinds of businesses that are not now part of the analysis should be included, making the data more complex to compare. Finally, the registration process is not established exclusively for the road freight sector but concerns registration of vehicles in general – an example of general legislation targeting a larger population than the one analysed for this project.

Confirmation of freight transport by consignment note (adherence to the CMR treaty)

The information obligation regarding a consignment note in adherence with the CMR treaty is based on the Convention on the Contract for the International Carriage of Goods by Road (CMR) (UN, 1978). For most countries the consignment note is managed by the CMR treaty, which is mainly a trade regulation. Based on the information from countries, some have looked at time taken to fill in the consignment note as well as the duties of the hauler. In many cases, the consignment note is prepared by the sender/forwarder, in which case the time used for the hauler becomes less. Further, in many instances where the hauler is to fill in the consignment note, the forwarder pays the hauler. This means that the indicator on CMR falls outside the target group of the pilot study, *i.e.* SME's in the road freight sector.

However, the data collected show that in all countries,[56] businesses take very little time to provide the necessary information for a consignment note. These data have not been adjusted to reflect whether it is the hauler or the forwarder who is carrying out the task, which can of course have an effect. Due to the low figures the distribution of countries will be more sensitive to variation, which makes comparison more difficult. Further, due to the differences found in relation to the target group it is not advisable to advance the analysis to an aggregate level.

Providing and storing information on hours of service

Across countries, the driving and resting hours of drivers in the road freight sector are regulated, the general argument for which is to promote road safety by preventing excessive driving times. The regulation generally applies to all drivers. For European countries the provision and storage of hours of service is regulated by Council Regulation (EEC) 3820/85, Council Regulation 3821/85 (EEC)[57] and the AETR[58] agreement. The EU regulation lays down standards for the types of transport it governs, limiting continual driving. The European Regulation first came into effect in 1969, and over time has been adjusted. In that regard recent changes in the directive relate *inter alia* to the use of the tachograph, a digital checking device. The European Commission announced on the 12 January 2006 that the deadline for introducing these devices in new trucks would be postponed to May 2006. It has therefore been difficult to measure the administrative costs related to their use. Since the digital tachograph was only compulsory in new lorries during the measurements, there will be a long period where the majority of trucks will still use the analogous tachograph. Only in Belgium has the digital device been in place for a longer period. This also means that the indicator is measured in an interim period during which circumstances and requirements change, which makes comparisons both difficult and potentially less relevant.

In considering the information obligation it becomes evident that different workers are providing and storing hours of service, with the driver generally registering the time needed for the hours of service and other personnel in the business tending to the storage. Further, these two operations often will not be carried out in the same time interval. This makes comparison rather complicated.

Moreover, differences in the definition of the population have been found together with variations on rate and frequency. That too reflects the complexity of the regulation as well as making for potential inconsistencies in what has been measured. The complexity of regulation of the hours of service in the EU has also been mentioned in other studies (CEMT/CM[2001]8). Some businesses have said that they do not always comply with the information obligation, which is also mentioned in other studies.

Indicators concerning transport of dangerous goods: "approval of vehicle for transport of dangerous transports/ADR certificate of approval", "information required to be kept in the vehicle during transport of dangerous goods" and "appointment of a safety advisor for the transport of dangerous goods"

The indicators in this section concern the transport of dangerous goods, which in most cases is regulated via the ADR agreement (UNECE, 2005)[59] but also reflected in Council Directive 94/55/EC for Europe. The ADR convention defines the conditions to be followed when certain dangerous substances and goods are to be transported by road. It also contains a classification of different types of goods that call for the hauler to take

necessary precautions. In both Turkey and New Zealand, national regulations for the transport of dangerous goods are regulated by national legislation.

Approval of a vehicle for transport of dangerous goods will in many cases be in parallel with the roadworthiness test which has made it difficult for businesses to separate the time spent on the information obligation. Second, the indicators concerning transports of dangerous goods have proved to be highly complex because of the classification system of dangerous goods. This means that the administrative processes can vary greatly in relation to the vehicle and the proposed load. It has thus been difficult to define a comparable set of common data requirements as well as population.

One way to gain comparability would be to use segmentation, which would allow for a more differentiated approach. At the same time, such an approach would need to be seen in relation to the size of the relevant segment and the time needed to gain more detailed information with a view to simplification.

Vehicle undergoing periodic roadworthiness test (MOT)

Within Europe the indicator is regulated by Council Directive 2002/24/EC and Council Directive 96/96/EC.[60] Outside Europe it is regulated by national legislation. Several participants noted the difficulty of this information obligation. First of all, there have been diverging approaches to defining the process, which illustrates the challenge of producing a comparable breakdown. Second, the roadworthiness test is not set up exclusively for the road freight sector, but (as with the registration of vehicles) concerns a larger population.

Some of the countries excluded from their data the waiting time at the inspection site and the time it takes to drive the car to the periodic tests, because they did not consider these administrative burdens. Other countries included the waiting time in their measurements. Such differences are important to recognise since they reduce comparability.

Reporting information on tax to authorities – withholding tax; and reporting information on tax to employee – paying wages

Both indicators are based on national legislation in all countries. Further, the indicator is not specific to the road freight sector but relates to all types of businesses that have employees. As with the previous indicators, the two show differences across countries that limit the possibility of comparison.

For example, in one country the running payments have been measured yearly, while others have looked at the obligation monthly. Further, the focus has not been unanimously on the employee level: Denmark measured this information obligation per business.[61] In this respect also, the population figures differ largely due to differences in the measurement approach. These differences make the objectives different and therefore a comparison problematic. Annex 1.A1 addresses these problems in relation to demarcation and finding the population, rate and frequency.

Summary

On the basis of the analysis above it was decided to exclude a set of indicators from cross-country comparison, since the information available gave reason to doubt the comparability of indicators due to differences in demarcation. Nonetheless this finding can serve as a relevant learning point in relation to any future comparisons based on the RTA approach.

The learning point relates to better defining the indicators and administrative processes to be measured. Different elements have caused differences in demarcation in the information obligations examined, which are related to the difficulty of isolating one specific administrative procedure. A point to consider is the extent to which more detailed definitions will minimise the variations in procedures between countries. For example, a criticism of high complexity is not new in relation to *e.g.* the ADR convention (ITD, 2001/2002), which constitutes a challenge in relation to making a comparable demarcation. The content of the convention also highlights difficulties in identifying the right population, which can change according to the transports.

The two indicators on tax proved difficult to compare in more ways that one. Tax legislation is a national issue and in many ways related to broader considerations, *e.g.* social security, etc. This makes it difficult to isolate a set of comparable processes. In some countries, the process might be regulated by one specific legislative paragraph, whereas in others it might be distributed across legislation. Further, tax legislation is a general obligation and not just focused on businesses in the road freight sector, which also can create difficulties in isolating the population. The points below summarise the main reasons for not analysing further the indicators mentioned in this section.

- Relevance of the indicator in the framework of the analysis.
- Detail and clarity of definitions.
- Difficulties in identifying the identical administrative procedures of the legislation.
- Difficulties in identifying the population.
- Integration with other regulations or systems, *e.g.* social systems, that impact on the demarcation.

These points lead into the general question of making the necessary demarcations consistent. The level of complexity of the administrative procedure and the population definition seem to influence consistency in the measurements. This will again have a natural impact on how far quantitative comparisons are feasible and relevant. The degree of complexity here is high.

General trends across the data

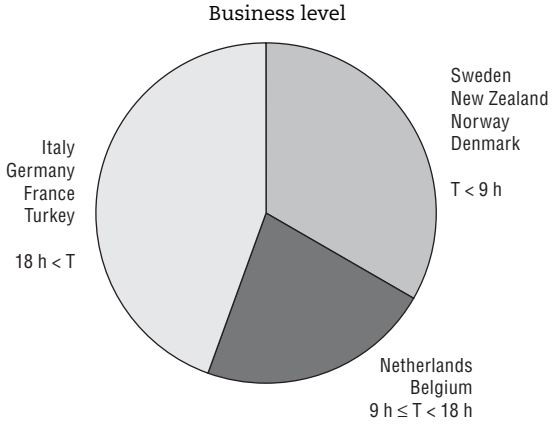
In the previous sections the different indicators were analysed more or less on their own, except for some general issues relating to licences and permits. This section will view the results from an overall perspective. This can provide information on more general trends in and across countries. Some aspects have not been taken into account, in particular the parameter *price*.

Distribution of countries

Based on the time spent per business for each information obligation analysed in the previous sections, it is possible to see in which countries trucking businesses tend to spend less time.

Figure 2.49 shows the distribution of countries in regard to total time consumption for all licences and permits analysed. The distribution is based on the sum of the time consumed at business level in producing one application for each information obligation. This means that it has not been taken into consideration that businesses in some countries might have to fulfil the obligation more frequently, or that all obligations do not apply to a business at the same time. It should therefore be noted that the purpose of the figure is to show the impact on countries of the licences and permits at business level.

Figure 2.49. **Total time for licences and permits**[1, 2]

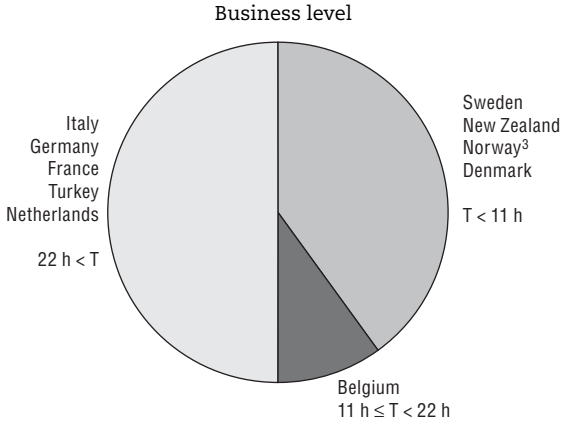


1. Data are based on time consumption per business for both common and additional requirements. The total per country is the sum of time consumption per business for all indicators (six information obligations), where the time has been quantified.
2. New Zealand is represented by two information obligations. Italy is represented by five information obligations as data was not available for "bi- or multilateral licence". Turkey and the Netherlands are represented by five information obligations – Turkey because it is not a member of the EU and the Netherlands because data are not included for "Special transport" due to very large additional requirements. All other countries are represented by six obligations.

The figure shows that across the indicators on licences and permits, the least time is spent in the Nordic countries. New Zealand also has low total time consumption, but it should be kept in mind that that country has relatively fewer information obligations as it does not have international road transport.

When integrating the time used at business level for all the indicators analysed, there is only little change in the distribution of countries; this is shown in Figure 2.50.

Figure 2.50. **Total time spent on all information obligations**[1, 2]

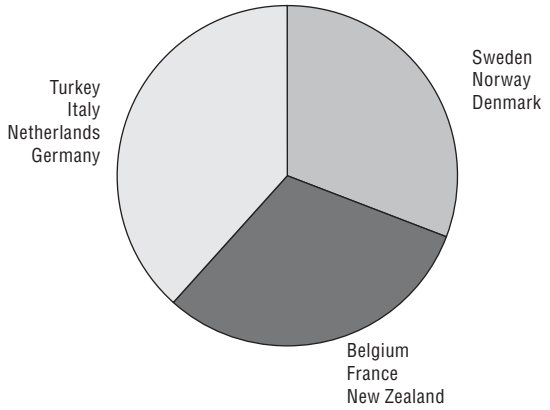


1. Data are based on time consumption per business for both common and additional requirements. The total per country is the sum of time consumption per business for all indicators (eight information obligations) where the time has been quantified.
2. New Zealand is only represented by three obligations. Italy is represented by five information obligations because data was not available. Turkey and the Netherlands are represented by seven obligations – Turkey because it is not a member of the EU and the Netherlands because data are not included for "Special transport", due to very large additional requirements. All other countries are represented by eight obligations.
3. For Norway, the information obligation "Employment contract" is based on data for large businesses, which might slightly undervalue the time spent.

The distribution of countries remains the same except for the fact that the Netherlands moves from the middle range to the highest range. The Nordic countries and New Zealand continue to be the countries where businesses spend the least time complying.

The previous distribution of countries is based on totalling the time for each of the information obligations at business level. Totalling the time in this way provides a picture of the impact of government legislation on the business with regard to the indicators analysed. In order to take into account that a very high time consumption on one indicator or differences in the total number of indicators applicable could have an effect, Figure 2.51 shows the distribution of countries based on their distribution per information obligation.

Figure 2.51. **Distribution of countries based on the distribution for each information obligation analysed**[1, 2, 3]



1. Countries are placed according to the number of times they appear in the lowest, middle or highest category for each of the analysed indicators. Countries are placed according to their most frequent appearance for each of the information obligations.
2. New Zealand is represented by three information obligations and Italy is represented by five. Turkey and the Netherlands are represented by seven. All other countries are represented by eight information obligations.
3. The figure is based on common data requirements only.

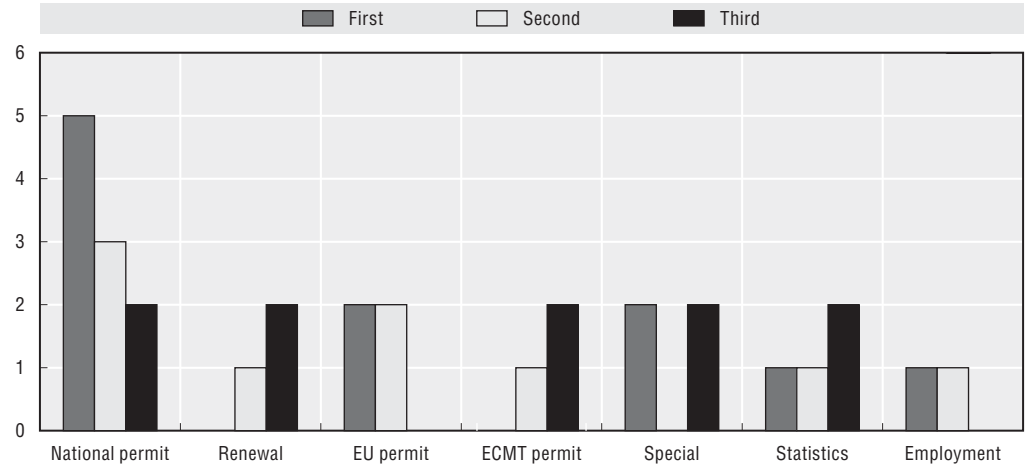
The general picture remains the same. Only New Zealand and France change position. For New Zealand, all indicators measured have been placed in the second range, but since there are only three in total the total time is rather low compared to other countries having eight obligations. For France, most indicators are found in the second range as well, whereas in terms of total time they are ranked in the highest category. This can be explained by the fact that a few of the indicators have a high impact on the total time.

Having looked at the distribution of countries in relation to impact of legislation it is clear that, for the indicators analysed, the Nordic countries have the least time-demanding setup. As can be seen in Annex 1.A3 these general findings correspond very well with the findings in other studies done by the World Bank, the World Economic Forum and the OECD.

Which indicators take the most time?

It is also interesting to see which indicators take the most time across countries. This can give an indication of the extent to which the same indicators have relatively the same impact on business across the countries analysed. Figure 2.52 shows a ranking of the three most time-consuming indicators at business level identified in each country.

Figure 2.52. **The most time-consuming information obligations**[1, 2, 3]



1. The figure is based on the data for the eight indicators analysed, and on both common and additional data requirements.
2. For Belgium, two information obligations consume the same amount of time. Both are rated as the most time-consuming and no obligation is rated second.
3. New Zealand is represented by three obligations. Italy is represented by five obligations due to availability of data. Turkey and the Netherlands are represented by seven obligations – Turkey because it is not a member of the EU and the Netherlands because it is not included in the "Special transport" category due to being an outlier. All other countries are represented by eight obligations.

In terms of time consumption per business, in more than half of the countries the application for a national licence is ranked among the most time-consuming information obligations. Otherwise, the picture is more diversified. It should be remembered that some of these indicators will generally be encountered less often by the single business than, for example, registering and storing hours of service. The perception by businesses might therefore differ in relation to how far each indicator fits the business's procedures in general or how much the indicators are felt in everyday life.

Which activities are the most time-consuming?

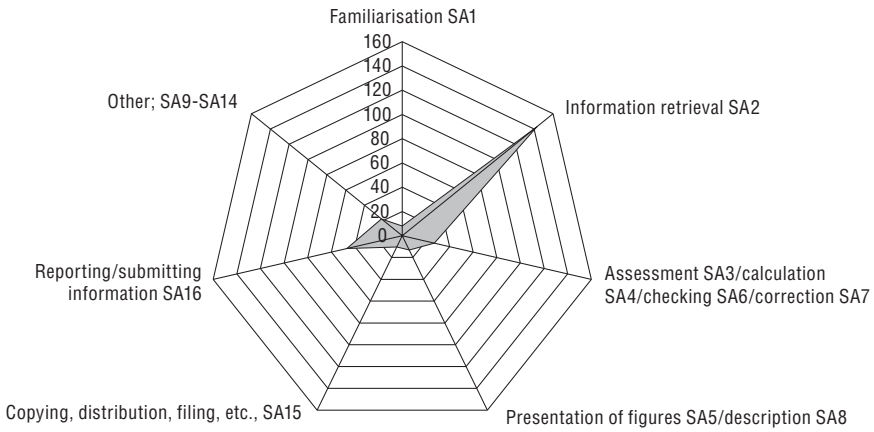
Even though the information obligations differ in their content and scope, from an overall perspective some activities are more frequently engaged in than others in relation to the indicators selected. Figure 2.53 shows the total time spent on the different standard activities.

The standard activities that are reported as most time-consuming in total for all countries are information retrieval and reporting/submitting information.[62] Since several of the indicators relate to applying for a licence or otherwise reporting information to authorities, it is not surprising that these standard activities take up the most time. This supports the view that altering the ways of complying with the indicators in these areas would be a way to reduce administrative burdens. As already discussed under the section on licences and permits, e-government tools are an option used by countries to minimise the time spent by a business in complying with certain information obligations.

The activity of familiarisation has been mentioned by all countries. A way to minimise the burdens related to familiarisation could be to ensure that forms and guidelines are written in plain language and a user-friendly format. Such initiatives have already been undertaken by several countries; the focus has been on effective communication of legislation by making laws intelligible to citizens (OECD, 2002, p. 70). The RTA study shows

Figure 2.53. **Total time per activity**[1, 2, 3, 4]

All countries



1. Some of the standard activities (SA) have been combined because they have similarities and the time consumption for the individual SA was small.
2. The category Other is made up of the total time consumed by SA9 to SA14. These standard activities have been gathered into one category because of very low total time or due to not being used.
3. The figure is based on different standard activities for both common and additional data requirements.
4. The data used for New Zealand are based on three information obligations and those for Italy based on five. The Netherlands and Turkey are represented by seven information obligations. Data for all other countries are based on eight information obligations.

tremendous variation in how often familiarisation is identified and how time-consuming it is. Germany in particular has a relatively high time consumption for this standard activity, although the reasons for this are not clear.

Does the time used cost the same across countries?

As part of the measurements, countries have been asked to supply information on the staff categories and wages corresponding to the different activities. This section discusses the issue of cost in order to illustrate the difficulties in using these data directly in the RTA calculations. The RTA manual introduced a standardised categorisation of personnel groups. The countries were asked to report whether the different activities were carried out by a driver/worker (DW), by administrative staff (Adm), by a manager/professional (MP), or by a senior manager (SM). Even though there may be some differences in the actual categorisation across countries due to national classifications, the pilot study groupings do yield data. It has been highlighted that the question of who is responsible for what can in many cases be related to the size of the business; many of the businesses in this sector are rather small and therefore it will be the same person who carries out most of the tasks. Yet generally, the driver/worker was reported by all the countries as providing and/or storing information on hours of service. Further, the category driver/worker has also frequently been cited in relation to adherence to the CMR treaty, applying for ADR certificate of approval, and providing the information required to be kept in the vehicle during the transport of dangerous goods.

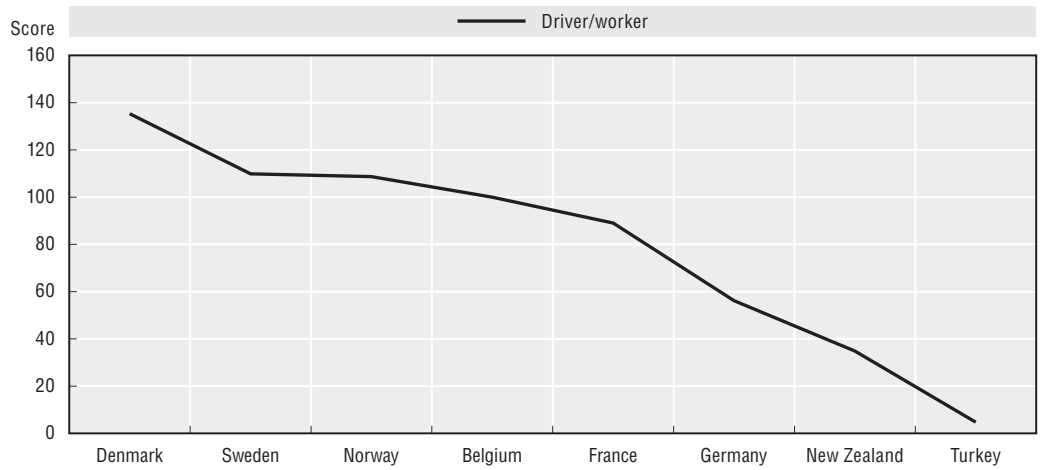
In some countries businesses only tend to use one type of personnel for certain information obligations, whereas in others several types of employees are involved. Different explanations for this are possible, but the finding could indicate that in some cases the time to comply with a certain information obligation might rise or fall with the number of different personnel involved. For example, the compliance time might be lower

if one person is able to carry out the whole procedure as opposed to a situation where different people are involved, *e.g.* with extra checking, signatures, etc. These procedures in businesses might not however arise from legislative requirements but from their own administrative practise.

The parameter of price is of course closely linked to the different personnel categories and the corresponding wage level. As already discussed, this parameter is very sensitive to national differences relating to the economic situation of the specific countries and their labour markets. In Germany for example, the wages of drivers vary by up to 30% between western and eastern *Länder*. Including the price parameter in the calculations of the administrative burdens at this stage has therefore been considered problematic and not feasible. In order to incorporate the price parameter in the calculations, more information would be necessary on different factors. Other factors such as the wage system, the level of contributions to the social security system and driver charges may have to be taken into consideration. Based on the reported data it is clear that there are large differences in wages between the countries in the survey. Figures 2.54 and 2.55 show these differences in relation to the wage level for each of the standard personnel groups.

Figure 2.54. **Wage level for a driver/worker**[1, 2, 3]

Belgium = 100



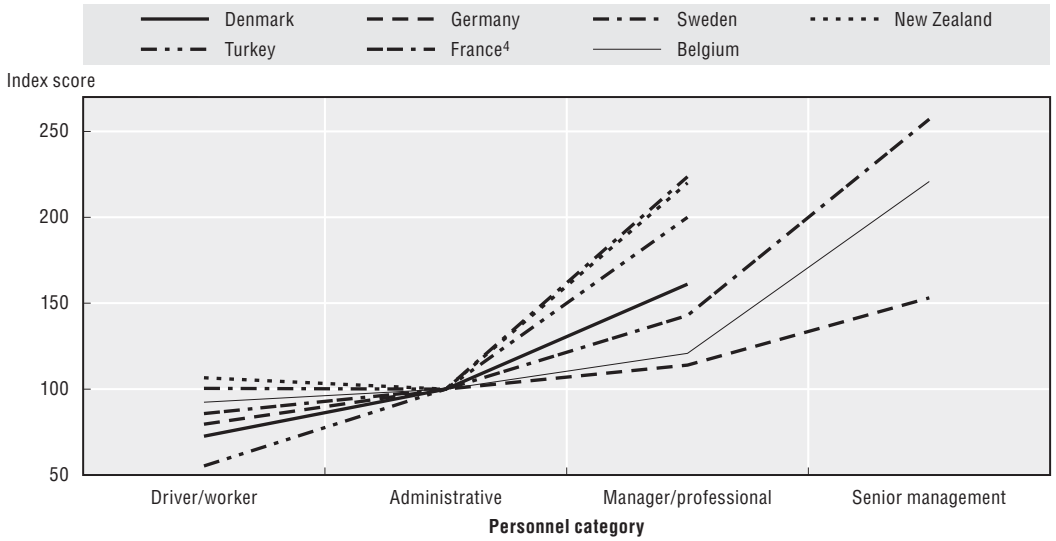
1. In the table the wage level in Belgium is taken to be index 100. Comparison of data can only be done per personnel group and not across the groups.
2. The Netherlands is not included in this figure because of large variations in data.
3. Italy has not reported any wage level for a driver/worker and is therefore not included in this figure.

The figure shows that in Germany, New Zealand and Turkey the wages are below index 100 whereas in Denmark, the Netherlands and Sweden they are above 100. Even though some variation in the numbers can be expected, the figure still gives a clear picture of differences between countries concerning the wage level. It could be relevant for future analysis to look more closely into the cost of the working force and not just the wages, because there might be differences across countries *e.g.* in how far the employer's share of the social security contributions is included or not.

It is also relevant to see the variation inside each country regarding the different wage categories, and whether there is a corresponding progression in wage level by personnel category. Figure 2.55 illustrates this.

Figure 2.55. **Wage level across countries**[1, 2, 3]

Administrative staff = 100



1. The administrative staff has been made index 100 for each country.
2. The Netherlands and Italy are not included due to large variations in data.
3. Norway is not included in the figure since data were not available for administrative staff.
4. France has reported three different wages for the administrative staff; however, one of the wage levels was reported more frequently, so that level is used in the analysis.

All the countries that mentioned the senior manager reported this position as the highest wage category. The second highest in all the reporting countries is the manager/professional. Sweden and New Zealand report that the administrative staff is paid less than the driver/worker in their countries. In Denmark, Germany, Turkey, France, and Belgium the wage categories show the opposite picture with the driver/worker paid less than administrative staff.

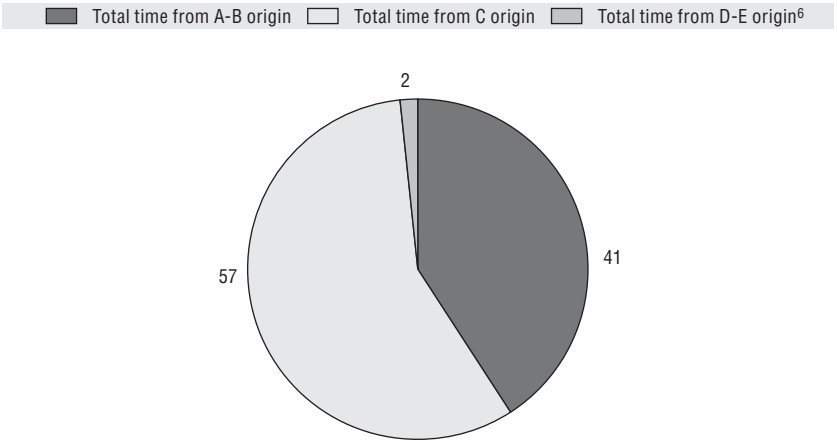
Based on this analysis of the elements behind the price parameter, it is clear that just multiplying this parameter by the other parameters would bias the results substantially. Two countries where businesses use the same amount of time on complying with an information obligation would therefore show very different costs. Likewise, it can be imagined that in two countries the cost would be identical even though the time used differed extensively, if the wage level for the same type of personnel differs correspondingly. Such situations can then be influenced one way or the other by the size of the population. All in all, using the price parameter in cross-country comparisons such as the RTA is difficult. To proceed with calculations of the total costs of the administrative burdens per information obligation, etc., more sophisticated data and analysis would be needed.

Where do the burdens come from?

The legislative level – also described as the origin of the legislation – has also been collected during the measurements. This information is relevant because it identifies where action has to be taken in relation to simplification. Generally speaking, if a requirement originates from supranational legislation, then any desire for simplification will have to be addressed at this level, whereas national requirements can be dealt with in the national context.

The road freight sector is generally considered an internationally regulated area. The legislative level gives a view of origins, as illustrated in Figures 2.56 and 2.57.

Figure 2.56. **Distribution of total time by level of origin**[1, 2, 3, 4, 5]



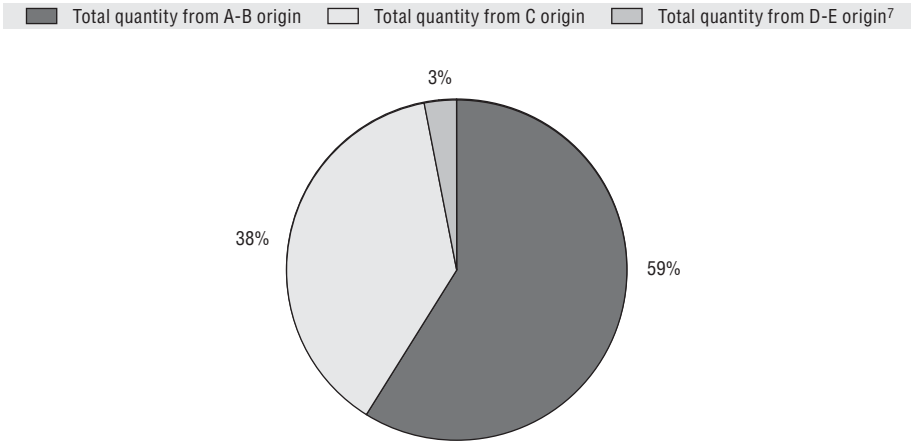
1. The figure is based on the categorisation made for all common and additional data requirements. Only the information obligations analysed have been included.
2. The Categories A and B as well as D and E have been summed to eliminate inconsistencies in the categorisation.
3. It should be noted that New Zealand has no international requirements in relation to the information obligations analysed.
4. Data for the Netherlands on "Special transport", which does not apply to all businesses, are not included due to very extensive time consumption.
5. Italy is not included in this figure due to lack of available data.
6. Germany accounts for all D-E.

Many of the data requirements come from international legislation. This indicates that simplification efforts might have to be addressed at a supranational level, *e.g.* the EU or the UN. However, in cases where the implementation has been left to member states, simplification can also be addressed by the country itself. An example would be introducing digital solutions for reporting, which can be done nationally unless the supranational legislation prescribes manual reporting.

A large amount of the total time is found for data requirements in Category C, which indicates that legislation is purely national. For simplification purposes these data requirements will have to be dealt with nationally. This is equally the case for the D-E categorisation representing the sub-national level. Also mentioned during the analysis was the fact that the "importance" of the international legislation can vary between countries depending on geography and adherence to certain conventions. Accordingly, New Zealand for instance is not really concerned by international legislation in relation to the indicators that have been analysed, which will of course have an impact of the total amount of time used for C origin legislation. Likewise, countries with a federal system, such as Germany, have some requirements emerging from the local level.

As can be seen from Figure 2.57, a higher percentage of data requirements are based on international legislation than on national legislation. Yet when comparing Figures 2.56 and 2.57, the tendency is that the internationally based data requirements do not take up as much time as the nationally based ones.

Figure 2.57. **Number of data requirements by level of origin**



1. The figure is based on the categorisation made for all common and additional data requirements. Only the information obligations analysed have been included.
2. The Categories A and B as well as D and E have been summed to eliminate inconsistencies in the categorisation.
3. New Zealand has no international requirements in relation to the information obligations analysed.
4. Italy is not included in this figure because of lack of available data.
5. Data for the Netherlands on "Special transport", which does not apply to all businesses, are not included due to very extensive time consumption.
6. There is a slight risk that in a technical matter the individual countries have broken down the different information obligations into a different number of data requirements. This could produce a bias in the number of data requirements.
7. Germany accounts for all D-E.

Robustness of RTA data

The robustness of the findings in the RTA pilot study and in how far they reflect actual developments and differences among OECD countries can be checked by comparing the findings with alternative indicators that broadly address the same phenomena but using different approaches. This is done extensively in Annex 1.A3 where comparisons have been made with OECD's PMR indicators, the World Economic Forum's Global Competitiveness Index 2005-06, and data from the World Bank's "Doing Business in 2006".

The results of the comparison show a high compatibility between the different data sets, which indicates a general robustness of the RTA data and findings. Since the country distributions coincide, there is little reason to assume that the differences found between countries in the RTA analysis are caused by factors other than administrative burdens.

The use of ranges when comparing across countries also allows for handling biases caused by factors apart from regulation and administrative burdens. Likewise, the standardisation of data for the normally efficient business helps to eliminate outliers. Finally, the use of segmentation is an additional tool that can be used, if there is an assumption of differences due to other factors that might influence the level of burdens. Segmentation has, however, only been used in a few cases.

Another indicator on the robustness of the data can be found in the correlations made between some of the information obligations, indicating that similar issues have been measured. Concerning the data on population caution is advised, since several countries have mentioned difficulties in identifying the populations requested. At the same time, correlations on the population figures in several cases also have proved rather high.

Learning points when comparing indicators

Identification, measurement and comparison of administrative burdens can be difficult, depending on the existence or absence of clear definitions that are consistent across countries. Consistency relates to many aspects such as language, legislative regime and the provision of supranational legislation. Of course if countries are to follow the same supranational legislation (*e.g.* within the EU), there is a certain harmonisation of legislation. However, this is not always the case.

Focusing more specifically on the learning points from the RTA pilot project, certain features can either enhance or destabilise consistency and comparability in relation to quantitative data. The RTA manual set out the framework for the measurements, including definitions of the indicators and the corresponding populations. During the measurements certain standardisations and categorisations were introduced, for example division into common and additional requirements to enhance comparability.

Despite the efforts made to promote comparability, a number of indicators or parts of the data set were not suitable for comparisons, based on consultations with participants and the steering group. Out of the original 17 indicators, only 8 were deemed appropriate for comparative analysis.

In general, there are indicators, such as licences, that are relatively easy to handle and quantitatively comparable. Here the administrative procedures and the population are well defined and clear. In many cases specific application forms are available, which makes very transparent what information a business is required to submit to authorities.

Then, there is a second group of indicators whose comparison on all levels is more difficult. This has been the case with statistical reporting and the employment contract. Here, only partial analysis at the business level has been carried out because the data on population for each indicator have been difficult to get or inconsistent across countries. Accordingly, only comparison at the business level has been conducted.

Finally, the analysis has shown a set of indicators that are problematic to compare quantitatively based on the available data and information. Based on the feedback from countries, it has become clear that some indicators that initially seemed the same differ, which indicates a general problem of reliability – the measurements would not reflect the same thing. This especially seems to be a problem where indicators are rather complex both in terms of the administrative procedures and for the relevant population.

Lessons learned

This section of the report identifies key learning points that have emerged from the pilot study on the Red Tape Assessment, drawing on the analysis of administrative burdens in the road freight sector presented above. The framework of the RTA enables comparisons and reveals good practices for administrative simplification. At the same time, the analysis conducted also identifies potential improvements in the framework itself in order to enhance feasibility and the results.

RTA takes national simplification efforts further

The Red Tape Assessment has as an objective to identify good practises and to develop policy advice for countries, offering suggestions for national simplification efforts. The general work of the OECD on regulatory reform recognises the link between regulatory reform and competition, as well as the context of the broader governance agenda. Where

possible, regulatory reform and administrative simplification should aim also to ease the operation of efficient markets. Regulation should be managed in such a way as to ensure that such efficiencies are not compromised in the pursuit of static goals (OECD, 2002).

Systematically organised procedures have been developed in many countries to enhance reform programmes, including administrative simplification programmes based on evidence gathered through interviews with businesses. Such programmes can constitute powerful means to handle the bureaucracy when a systematic view is needed to reduce red tape accumulated over time. The work done in the Netherlands on reducing administrative burdens exemplifies this (OECD, 2007).

The development of evidence-based goals for reducing these burdens helps target reform priorities. The focus of countries has been on regulating smarter rather than simple deregulation, which *e.g.* could include making use of e-government tools. This links to the idea of regulatory management, where the aim is to improve the design and functioning of regulatory structures (OECD, 2002). Such work can help promote more accountable and transparent governments by addressing the functioning of regulation, which should encourage development of better policy options where needed. Typical elements of regulatory transparency would be legislative simplification, plain language drafting and use of information technology (OECD, 2002).

A comparative perspective on administrative burdens and their reduction is a way to address this question from an evidence-based angle. The growing international pool of experience and data in the area has naturally facilitated comparison of red tape reduction efforts.

Input for administrative simplification based on the RTA pilot study

The RTA study advances a set of specific recommendations for administrative simplification in the road freight sector. These are based on a comparative evaluation of the national administrative burdens arising from specific indicators.

It should be acknowledged that the RTA study focuses exclusively on administrative burdens. Consideration of the objectives driving the legislation in question is therefore left to the national authorities as part of their simplification work. Good practises have only been considered for their potential to simplify the administrative procedure with a view to reduce administrative burdens. At the same time it should be stressed that to a certain extent administrative simplification might be achievable through mainly technocratic measures. A grey zone can always be found and might even be more manifest in a comparative perspective, because of the difference in regulatory regimes. Depending on the context, the input can both be considered and used as:

- Gaining information on ways to regulate smarter.
- More critical questioning of the regulatory quality.

Thus, the points might also be seen as a way *ex post* to rephrase some of the questions from the OECD checklist on regulatory decision making (OECD, 2002, 2005e). It is in the Nordic countries that business most frequently has the least time consumption on government requirements analysed as indicators. These countries therefore provide different examples of good practises to strongly reduce administrative burdens. The good practises and the comparison show that different ways of handling equal information obligations can result in unalike levels of administrative burdens on businesses. Some of the main findings that could make a difference in the road freight sector are discussed below.

ICT solutions and data sharing can make a difference

The use of information and communication technologies is one of the main means to approaching administrative simplification in relation to the licences analysed as well as for statistical reporting. ICT solutions can help introduce simpler and more efficient use of information. Even though not all countries have fully digital services, many already have options for obtaining the necessary forms and information via the Internet. Denmark has created a business portal where all relevant business forms can be found and submitted electronically; all the applications analysed in the study are fully digital in that country. These one-stop shops help create an easily accessible contact point between government and business (see also OECD, 2005d, 2006).

Another factor that has proved effective in reducing administrative burdens placed on businesses in the road freight sector is the use of intergovernmental data sharing. Reusing information across government as a way to spare businesses the administrative burden is in many situations supported by ICT infrastructures to ensure an effective and secure exchange of data. Both Denmark and Sweden let authorities share data when they handle applications for certain licences to conduct national road freight; examples include the financial standing and good repute of the business. This frees businesses from handling duplicate tasks.

Is renewal of licences necessary?

The information to be provided by applicants for a national licence to conduct road freight is similar to that required for renewal. In Europe, this is regulated at the supranational level; renewal is generally required every five years. However, a more far-reaching way of minimising the administrative burdens on businesses in relation to renewal has been identified. In New Zealand, the obligation does not exist, as the national licence is granted for life. Only in the case of severe breaches will the licence be reviewed.

Other methods are found in Europe. In Belgium, renewal is automatic by the authorities, which only gives a minimum of burdens for businesses. In Germany, businesses have only to renew once, after which the licence is granted for life. Were Europe to follow the New Zealand approach, adjustments would need to be made to the relevant EU directive, which means that simplification attempts would be addressed at the supranational rather than national level. This might of course also include a broader discussion of the aim of regular renewal. At the same time, Belgium and Germany have in their implementation of the EU legislation shown ways that, in the long run, can be less costly for businesses in the road freight sector.

Towards a simpler licence system for the EU and national licence

The national licence, its renewal and the EU licence raise the question of whether the procedures could be simplified when what is required is generally the same kind of information. On the one hand, that concerns the actual information required from businesses, which might to a higher degree be reused in order to minimise the administrative burdens. In Denmark for example, this has been done by introducing one application procedure, with businesses having only to tick a box to apply for an EU permit.

On the other hand, some countries have introduced certain types of a one-licence system. Instead of having to apply both for a national and an EU licence, businesses are only required to have the EU permit. In Germany, the EU licence has been introduced as a

substitute for the national licence, and the analysis indeed shows that there were more applications for the EU licence in Germany than for the national licence. Also, the Netherlands has provisioned a single-licence system for businesses to avoid several application procedures. That system could also be considered as an option for further liberalised markets.

Minimising the use of additional requirements

The analysis showed that different countries have introduced additional regulatory requirements that supplement what is commonly required across countries. These can have a substantial impact on businesses in terms of the total time needed to comply with specific information obligations. Minimising these requirements can help reduce administrative burdens. The justification for them will of course be a national question, which should be addressed where relevant.

Non- or insufficient compliance could signal a need for simplification

Countries were asked to submit qualitative information received during the interviews with businesses. One subject on which feedback was received was compliance with certain information obligations. Several countries have stated that businesses have not always complied with the letter of the law, *e.g.* with an information obligation like statistical reporting.

The question of compliance would require a detailed understanding of the context of the regulation, which has not been part of the current study. However, the fact of less-than-full compliance merits attention, because it might indicate a need for simplification. Such a situation might occur when people do not see the connection between the technical rules and their substantive purpose; do not know that they are affected; or do not have the ability to comply. According to the explanations found, administrative simplification might be a path to pursue.

Input for national RIA

Measuring and comparing specific legislation might also provide input for the national RIA work (RIA: Regulatory Impact Assessment, used when new regulation is being prepared). Such input can supply governments with a pool of information on existing regulation by creating a detailed review of legislation and its impact. In a forward-looking perspective this can help to identify how various administrative set-ups might impact on the ones being regulated, and they also function as input in the RIA process. The same can be said for information obtained on the population, which can create greater awareness of the groups regulated by the regulators, and help promote change in the administrative culture towards a transparent and user-friendly approach.

In sum, a cross-cutting view allows governments to direct their attention towards other countries for further information on reducing administrative burden. Taking measurements and making comparisons can yield different kinds of information on national legislation and administrative burdens. Businesses benefit – as does government itself, by gaining action-oriented information and an opportunity to enhance transparency.

Improving what is possible

This report has generally concluded that reasonable comparisons of administrative burdens can be made within the RTA framework. This pilot study on specific information obligations in the road freight sector shows how comparisons across countries can lend

insight into how administrative simplification can be pursued. At the same time the study served as a learning exercise, highlighting certain aspects of the methodological and organisational framework that could benefit from further development.

From the number of indicators analysed and compared in the report, it is clear that improved selection and definition of the indicators would be beneficial. Selection of indicators, the first step of the RTA framework, will necessarily determine the next steps by establishing the model for data collection and analysis. Thus, improving selection will be an important task. Using events as a starting point should ensure a certain consistency across countries, because they are founded on businesses practises. The major challenge lies in the "translation" of practises into measurable indicators sourced in government legislation. On the one hand more detailed definitions might be useful; on the other, definitions introduced too early can eliminate important differences. All international classification systems are aware of the trade-off involved when collecting statistics across countries.

The actual measurements and data collection have been the responsibility of the participants in the project to ensure validity. Following the evaluation of an academic advisory group to the project (see Part II of this report), the data gathered are generally considered valid in so far as the collection has adhered to the RTA framework. For the indicators, validity seems to be further confirmed by comparing the findings with those of other international studies, which show an identical picture. This also underlines that the data overall reflect the level of administrative burdens rather than other factors such as educational level and labour productivity.

Governments in this way can obtain specific information and input on how common administrative processes are handled across countries, which can suggest practical actions for simplification. Going further into this kind of analysis requires sufficient qualitative data and time, and requires even more specific information from countries. The detailed analysis of differences is possible to the extent that relevant and sufficient qualitative data are available.

The RTA project is based on the active participation of governments. Governments have volunteered to participate and are responsible for selecting the area of investigation and carrying out the measurements. In this sense governments actively take part in defining the relevance and quality of the project and its results. Generally, governments themselves have been in the driver's seat in terms of providing validated data sets and involving relevant stakeholders. The involvement of stakeholders in the measurement process can serve to prepare a platform for any national simplification efforts based on the findings of the RTA. Further, their involvement would be a way to handle expectations on potential simplification results.

This pilot study shows that the exercise poses certain challenges that need to be considered in the case of future analysis. As found by the academic advisory group, effective organisation is important for a project like the RTA, and an area where adjustments would be necessary to progress further. Different challenges in organising and implementing the RTA methodology range from organisational set-up, timing, legislative culture, knowledge of the methodology and standardisation to minor practicalities.

Conclusion

Reducing administrative burdens for businesses is generally regarded as essential for improving economic performance and raising competitiveness of countries. Many OECD

countries have made administrative simplification a key element in their regulatory reform efforts. Until now the documentation of success has been limited, due to data missing on key issues in order to deliver results. Increasingly, the emphasis has been placed on measuring burdens with the aim of minimising them, both for the existing stock of regulation and in new regulations. With the RTA, the measurement of administrative burdens in a comparative OECD perspective is being tested for the first time. In general, the RTA builds to a large degree on the method used for national measurements under the Standard Cost Model.

The report has compared and analysed specific administrative burdens across certain OECD countries. It should be noted that the indicators selected do not cover all the administrative activities imposed by government on businesses in the road freight sector. It is clear that comparisons can be made, and the analysis helps highlight input for national simplification efforts. However, the report has also pointed to certain challenges in the current RTA framework, particularly concerning the selection and demarcation of indicators and the organisation of the project.

A key message of the report is that measurements should never be seen as a stand-alone exercise. Measurements and data comparison should always be considered as means – in this case, to improving the regulatory environment. The objective of the RTA methodology is to come up with examples of good practises and policy advice that can be used to reduce administrative burdens for businesses.

The RTA pilot study on the road freight sector shows a set of findings that may be relevant. Some of the specific findings that can save businesses time are:

- Data sharing between authorities in relation to information on good repute and financial standing.
- Making the application process for licences digital, meaning that both completing and submitting the application can be done on-line.
- Making it possible to attach copies instead of originals, which should also facilitate the use of digital solutions.
- Minimising the use of additional requirements.
- Abolishing the obligation for renewal of the national licence by making it valid for life or making renewal automatic.
- Using the EU licence as national licence, which limits the target group for the national licence, and eventually creating a single-licence system.
- Using digital solutions for reporting statistics.
- Using standard formats for employment contracts if they have to be in writing.

The integration of these findings into national simplification strategies could be an important step towards reducing administrative burdens. Naturally, when implementing the findings, it is important to take into account national priorities and objectives.

The move towards a more sophisticated level of comparison to further help countries evaluate their performance and detect better practises in the area of administrative burden reduction will need further discussion.

Notes

1. Annex 1.A1 provides a detailed description of the project's process and the different stages.
2. Two countries (New Zealand and Germany) joined the project at a later stage, in December 2005.
3. The countries were Sweden, Norway, Denmark, France, the Netherlands, Belgium, Germany, New Zealand, Italy, Canada and Turkey.
4. In Denmark, the national SCM measurements were concluded in 2005. However, some of the indicators for the RTA project were measured as part of the project, because they were not measured as part of the national project.
5. In the Netherlands, the national SCM measurements were carried out in 2002, which is the basis for the numbers. For certain indicators, simplification initiatives such as introducing digital solutions have been carried out afterwards, but the changes are not reflected in the data set submitted for the RTA.
6. The data on time consumption and cost parameters for Canada are not included at the country's own request; however, other information and feedback are considered.
7. Four meetings were held, including two Working Party meetings (September 2005 and September 2006). Further, 14 written consultations were conducted with participants and partly the RTA steering group.
8. A start-up meeting was held in November 2005 and a technical meeting on data submitted was held in June 2006.
9. To ensure comparability, a division between common and additional data requirements has been made, through consultation with participants and the Steering Group. The common data requirements should be those coherent across countries in relation to the information obligation in question. The additional data requirements take into account those that do not seem to be alike across countries due to different reasons but are still a requirement with which business has to comply. An example could be the possibility of identify goldplating when implementing EU legislation.
10. For further discussion see Annex 1.A1 on the RTA methodology and project implementation.
11. Considering that of all 13 participating countries, 9 are EU members.
12. For clarification on the methodological definitions see Annex 1.A1 on the RTA methodology.
13. For an introduction to the RTA method, please see the previous chapter and the RTA manual (*www.oecd.org/regreform*, Annex B4).
14. See the OECD review of administrative simplification in the Netherlands (2007).
15. Prior benchmarking exercises in the SCM method have also used time as a starting point for comparison.
16. The ranges are constructed by doubling the second-lowest observation, which covers the first range. The second is the double of the first range and the third includes the countries with a higher value than double of the first range.
17. In the analysis no distinction is made between administrative burdens and administrative cost, meaning that it has not been taken into account if businesses would do the administrative tasks even in a situation without legislation.
18. First range, $[0; 2t_2]$. Second range, $[2t_2; 2(2t_2)]$. Third range, $[2(2t_2); n]$. t_2: second lowest time observed.
19. $T = t_c + t_a$. T: time used by the normally efficient business.
20. New Zealand noted some difficulties in determining the population. This has to do with distinguishing between applications from the "for hire" part of the trucking sector and the wider trucking applications.
21. Data are taken from Annex 1.A2 on the road freight sector.
22. In situations where the population and rate vary for a specific information obligation, the median has been used. This is indicated in footnotes when relevant.
23. Total administrative burdens: T * Q. In comparison with the full SCM calculation, only the price is left out.
24. Changed by Council Directive 98/767EC on admission to the occupation of road haulage operator and road passenger transport operator and mutual recognition of diplomas, certificates and other

evidence of formal qualifications intended to facilitate for these operators the right to freedom of establishment in national and international transport operations. The directive states in Article 1 and 3 that:

Article 1

1. Admission to the occupations of road haulage operator or road passenger transport operator shall be governed by the provisions adopted by the Member States in accordance with the common rules contained in this Directive.

Article 3

1. Undertakings wishing to engage in the occupation of road transport operator shall:

a) be of good repute;

b) be of appropriate financial standing;

c) satisfy the condition as to professional competence.

25. For more information on the criteria of good financial standing, good repute and professional competence see also CEMT/CM(2001)8.

26. The time estimates for Norway and Sweden are slightly overestimated. In Norway, some of the businesses have to apply for a certificate for passed exam. The rest would already have done that. In Sweden, some businesses have used external accountants, which accounts for a slightly higher time consumption. Neither of these variations impact on the results in Figure 2.5.

27. Information is not available for Italy and France.

28. However, changes in the lorry fleet can make it necessary to apply for official copies of the licence after the application, since copies of the licences may have to be kept in the lorry during both empty and loaded trips – which is for example the case in Germany. This however is not measured.

29. Regarding professional competence, data have been controlled to take into account the course and exams needed to prove professional competence. Following, the time for taking the course and/or exam has not been included in the data indicated. Most countries mentioned that the course had not been included in the observations.

30. Exceptions exist for businesses organised in business form.

31. For the study, only the manual application has been measured in Sweden.

32. The reported populations of the countries on this information obligation correlate at 0.92 with the total number of businesses in the national transport sectors.

33. See Note 25.

34. Information was not available for Italy and France.

35. This is confirmed by the correlation between the two lines in the figure, which only is 0.13. If France is excluded the correlation changes slightly, becoming 0.37.

36. Data was not available for Italy.

37. Based on feedback from the interviews with businesses.

38. The Council Regulation 881/92 says in Article 3:

1. International carriage shall be carried out subject to Community authorization.

2. Community authorization shall be issued by a Member State, in accordance with Article 5 and 7, to any haulier carrying goods by road for hire or reward who:

- *is established in a Member State, hereinafter referred to as the "Member State of establishment" in accordance with the legislation of that Member State,*
- *is entitled in that Member State, in accordance with the legislation of the Community and of that State concerning admission to the occupation of road haulage operator to carry out the international carriage of goods by road.*

39. Information was not available for Belgium, Italy and France.

40. The correlation between the number of applications for EU licences and the number of businesses in the national transport sectors is 0.62.

41. CEMT/CM(2005)9/FINAL, "Guide for Government Officials and Carriers on the Use of the ECMT Multilateral Quota", *www.cemt.org/online/council/index.htm* (see as well CEMT/CM(2000)10/FINAL,

"Consolidated Resolution Concerning the Rules to Be Applied for International Freight Transport by Road", *www.cemt.org/resol/road/index.htm*.

42. The correlation between the number of businesses and the number of applications for an ECMT licence is 0.92.

43. Since the time consumption for a business in these countries is very low, data are rather sensitive to adjustments.

44. The correlation between the number of annual application and the number of businesses in the national transport sectors is 0.87.

45. Information is not available for France and Italy.

46. A special transport is defined as transports exceeding size and/or weight limits set in relation to the relevant legislation.

47. Information was not available for France and Italy.

48. The effect of this reduction is not reflected in the data set, because it was introduced after the measurements were finalised.

49. The information obligations concerned are: Applying for a national licence to conduct road freight transport, Applying for renewal of a national licence to conduct road freight transport, Applying for an international licence to conduct road freight transport – an EU-community licence (EU) –, Applying for an international licence to conduct road freight transport – an ECMT licence –, Applying for an international permit to conduct road freight transport – a bilateral permit –, Applying for a permit for special transport.

50. All of the applications mentioned can be submitted via Virk.dk except the application for a special permit, which can be done by e-mail.

51. Commission Regulation 2163/2001(EC) and Council Regulation 1172/98 (EC), Article 1:

… in order to carry out the tasks entrusted in the context of the common transport policy, the Commission must have at its disposal comparable, reliable, synchronised, regular and comprehensive statistical data on the scale and development of the carriage of goods by roads by means of vehicles registered in the Community.

52. Council Directive (1991), No. 91/533:

Obligation to provide information 1. An employer shall be obliged to notify an employee to whom this directive applies, hereinafter referred to as "the employee", of the essential aspects of the contract or employment relationship.

53. Section 55 B-E of the Working Environment Act implements Council Directive 91/533/EEC (Sections 14-514-8 of the new Act).

54. Small businesses are in this case the businesses with 1-2 employees; larger ones have 3-250 employees.

55. Commission Directive (2003) No. 2003/127, Amending Council Directive 1999/37 on the registration documents for vehicles, Article 3:

1. Member States shall issue a registration certificate for vehicles which are subject to registration under their national legislation. The certificate shall consist of either a single part in accordance with Annex I or two parts in accordance with Annexes I and II.

Further, the Convention on Road Traffic, Vienna 8/11 1968 Art. 35 has also been identified.

56. Data was not available for Italy. Consignment notes in accordance with the CMR treaty are not used in New Zealand.

57. Council Regulation 3820/85 (EEC) and Council Regulation 3821/85 (EEC), and AETR for international transport operations, amended 27 February 2004. Article 10.

Article 3:

1. Recording equipment shall be installed and used in vehicles registered in a Member State which are used for the carriage of passengers or goods by road, except the vehicles referred to in Articles 4 and 14(1) of Regulation (EEC) No. 3820/85.

58. AETR is the French abbreviation for UN/ECE European Agreement concerning the Work of Crews of Vehicles engaged in international Road Transport, which dates back to 1970. AETR is in line with EU-Regulation 3820/85.

59. UNECE (2005), The European Agreement concerning the International Carriage of Dangerous Goods by Road (ADR), *www.unece.org/trans/danger/publi/adr/adr_e.html*, Annex B:

    9.1.2.1 General

    EX/II, EX/III, FL, OX and AT vehicles shall comply with the relevant requirements of this Part.

    9.1.3 Certificate of approval

    9.1.3.1 Conformity of EX/II, EX/III, FL, OX and AT vehicles with the requirements of this Part is subject to a certificate of approval (certificate of ADR approval) issued by the competent authority of the country of registration for each vehicle whose inspection yields satisfactory results.

60. Council Directive 2002/24/EC and Council Directive 96/96/EC:

    Art. 1. In each member State, motor vehicles registered in that State and their trailers and semi-trailers shall undergo periodic roadworthiness tests in accordance with this Directive and in particular its Annexes I and II.

61. This was done as part of the national baseline measurement.

62. Countries have generally mentioned the same types of activities.

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ANNEX 1.A1

Description of the Process, Decisions and Challenges in Conducting the Red Tape Assessment project

Introduction

Many countries have already gained experience in measuring and reducing administrative burdens on a national level. The Red Tape Assessment (RTA) project addresses these burdens and their reduction from a comparative perspective.

One of the project's objectives was to develop a method to measure and compare administrative burdens across countries. This annex should be read as a description of how the project evolved, the decisions taken along the way and the major challenges encountered by the participating parties in implementing the RTA framework. An academic advisory group was established to evaluate the RTA project and methodology. The work of the group is presented separately in specific papers dealing with the organisation of the project and the validity of the method.

The RTA project is based on the voluntary participation of 13 countries, which indicated their interest by mid-October 2005.[1] The description of the method's implementation and the challenges encountered is based on the feedback received from those participating countries that have finalised their measurements.[2] It should be noted that governments had an active participation, since they are involved in defining the area of investigation and responsible for carrying out the measurements and validating their data.

As this was the first time the study was carried out, several issues arose for discussion and clarification concerning the degree to which comparison can be made based on the current data received and the implementation of the method. The annex should therefore help stimulate further discussion on the RTA methodology as a way of measuring and comparing administrative burdens.

The annex provides a description of the launching of and scope for the Red Tape Assessment. Thereafter, the RTA methodology and organisation of the different measurement phases are introduced, including the main challenges identified by the participating countries.

Launching the Red Tape Assessment project

In March 2005, the Working Party on Regulatory Management and Reform endorsed the Red Tape Assessment project and the formation of a Steering Group (SG)[3] to oversee the project. Delegates agreed that the project should apply a slightly modified version of the Standard Cost Model (SCM) as the basic methodology for measuring and comparing

administrative burdens among OECD countries. The SCM method had already been used by several countries to measure administrative burdens nationally.

The Netherlands developed the Standard Cost Model methodology in the 1990s, and it has since spread to a number of countries (many in Europe),[4] where it has been implemented and other specific targets have been set to reduce red tape for business. All in all the RTA methodology coincides with the Standard Cost Model, which has given rise to the international SCM network.[5] This also indicates a general trend in countries of setting up government programmes to reduce red tape (OECD, 2006).

It was agreed that the scope of the survey should not be overambitious. The measurement would primarily be a learning exercise for both the secretariat and participating countries – it could, to some extent, be regarded as a pilot project to build up expertise and knowledge.

In general the Red Tape Assessment RTA-project has the following objectives:

- To develop a methodology to measure and compare administrative burdens across OECD countries.
- To carry out benchmarks of selected administrative burdens in OECD Countries.
- To analyse reasons for cross-country differences in administrative burdens, with a view to providing policy advice and identifying best practices on burden reduction strategies.
- If continued, the project will enable the establishment of time series and further benchmarks for administrative burdens in OECD Countries.

As part of the RTA measurement and implementing of methodology in the participating countries, some general decisions regarding the approach and scope were taken by the Steering Group (clarified below), and an RTA manual[6] was developed.

Decisions made regarding the pilot study

The Steering Group, after considering the scope and coverage of the measurement, decided that the small to medium-size trucking sector should be adopted as the focus of the measurement for the Red Tape Assessment. The road freight industry[7] is a key sector of the economy; it plays a major role in market integration and has a direct impact on transaction costs for economic agents. For the purposes of the RTA, the trucking industry was defined as the "for hire" trucking sector. The definition of trucking in the RTA explicitly excludes what may be called "private trucking", where the owner of the freight is the same as the owner of the truck.[8]

To focus the RTA measurement, the Steering Group also specified "events" for which the administrative burdens were to be calculated. Assessing the costs of administrative tasks associated with events should on the one hand add a new and complementary dimension to existing studies. On the other hand, narrowing the focus of the measurement should also make the exercise feasible and relevant for the participating countries.

Two events or areas of regulation were chosen for the measurement by the Steering Group: one, relatively narrow, was "hiring a worker"; the second, a little broader, was "operating a vehicle".

Choosing a sector and a set of events framed the area of investigations, and so focused the measurements in order to obtain comparable information. The time used to identify and to discuss the area of investigation naturally affects the end results, both in relation to general expectations and for the process of measuring. Clarifying that area was a way to

minimise uncertainties during the measurements and enhance consistency. This kind of definitional clarification at the same time includes a certain categorisation of the reality, which can have the disadvantage of minimising complexity and leaving out certain diversities across countries.

Organising the project and the measurements

Based on the experience of countries carrying out SCM measurements, the organisational structure of the project was defined by three main parties: the Steering Group, the OECD Secretariat and the participating countries. This section describes their respective responsibilities as well as the stakeholders involved in the national organisation.

First, the *Steering Group* was responsible for overall project guidance, including the monitoring of progress and acting as a methodological clearing house. The Steering Group's involvement was, at several points during the measurement process, via written consultation.

Second, the *OECD Secretariat* was responsible for the ongoing administration of the project, including monitoring the data collection, supporting the Steering Group and analysing the results. Part of its duties was to prepare consultations in the Steering Group and with the participants in order to enhance a consistent approach; it acted as a first contact point for participants to implement the method. Further, technical meetings with the participating countries were held.[9]

Third, *the participating countries* were responsible for carrying out and validating the actual measurements and for setting up their national organisation of the project in order to implement the RTA methodology. For the national organisation, the RTA manual listed a set of relevant parties to be involved in the measurements, as well as a set of questions to help identify the parties to involve.

Countries identified a single contact point to be in charge of communication with the Secretariat. For some, the contact person changed during the process, or the role was delegated to a consultancy firm. The involvement of these firms was another aspect of organising the measurements nationally. In general, they have been responsible for carrying out the interviews with businesses and helping map the legislation.

The majority of the 13 countries chose to involve consultants in the measurements for the RTA project. It cannot be concluded that choosing a consultancy firm to do the measurement is the best way to proceed. In one country for example, a unit in the ministry specialised in doing interviews in the road freight sector.

Involving a consultancy might however be a way for the co-ordinating unit/person to ensure the right competences in carrying out interviews, as well as outsourcing time-consuming tasks such as preparing and conducting interviews.

At the same time, involving consultants can enlarge the process and thus make the transfer of relevant knowledge more challenging. For example, information can get lost when it is transmitted through many different persons or when *ad hoc* decisions are taking place in the process, which can have an impact on the basis for carrying out analysis.

Nevertheless, since the method involves a very detailed approach to legislation, certain *ad hoc* decisions taken during the process will not be directly reflected in the numbers. It is important that decisions taken along the way are transmitted to the relevant persons, as they might be needed to standardise and understand the figures correctly in

terms of comparison. At the same time, both complexity and layers in the organisational set-up can make this a challenging issue, one that might impact on the final result. In several cases countries have documented the decisions taken during the measurements. Also, documenting the qualitative information gathered from the interviews is often very useful for understanding the differences between countries.

Most countries had several ministries participate during the RTA project.[10] Due to the difference in institutional set-up between countries, the range of ministries involved varied, with the legislative areas covered more or less divided among ministries. In one case, all legislative areas covered were located in the ministry of the co-ordinating unit. Co-ordination with relevant government parties other than the co-ordinating unit was foreseen by the majority of countries.

In most cases, business organisations in the road freight sector were also on board as stakeholders. Their involvement provides the opportunity to obtain information on the sector and make quality checks of the data collected.

Other stakeholders included other ministries, branch organisations and businesses. Their involvement generally had to do with getting the necessary information and validating the data collected during the project. In some countries, for example those that had performed national SCM measurements, certain structures were already available. Time is necessary to identify relevant stakeholders, especially given that some indicators are very specific. The possibility and ability to involve a relevant set of stakeholders might of course influence the quality of the data and information collected.

Further, a mentor programme was introduced as way to promote knowledge transfer on the implementation of the method[11] between countries. However, this option was not exercised by the participating countries. It should be noted that the international SCM network might have been considered as an equivalent source for some countries, because of the alignment of the two methods.

The organisation of the project at all levels – in terms of planning, commitment, resources, competences and access to relevant information – should be considered for its multifarious influence on the measurements when considering the implementation of the method. Engaging in a project like the RTA calls for a high degree of co-ordination at both the national and international levels.

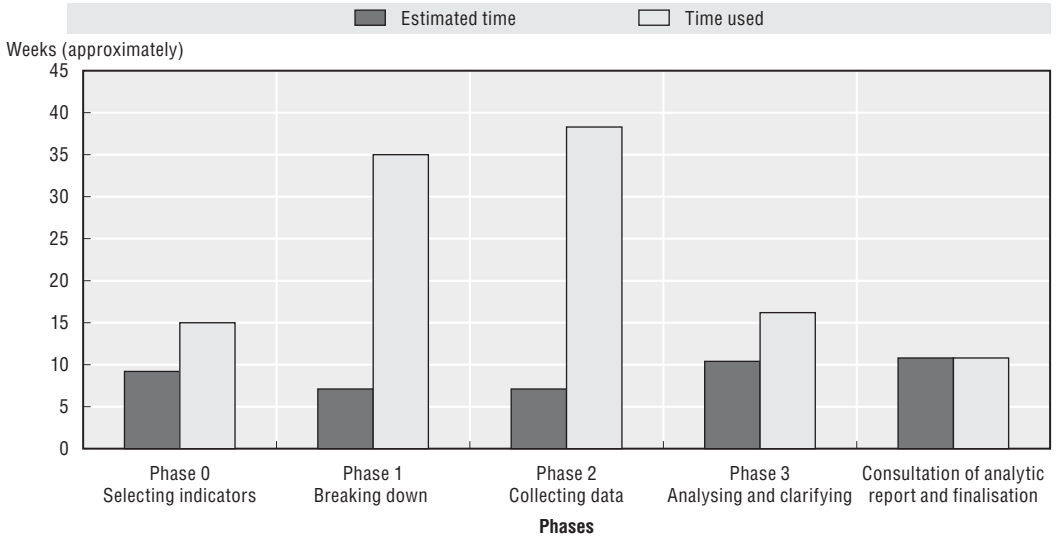
Defining a common timetable

A common timetable was presented in the RTA manual, so that every participating country would be aware of main deadlines and deliveries throughout the project. Participants were also asked to submit a time schedule for their national part, together with information on the national organisation. Certain delays occurred nevertheless, and the common timetable was updated during the project.

Figure 1.A1.1 compares the original timetable with the actual time used in relation to Phases 0-2 in the project, covering 1) the start-up and identification of indicators (Phase 0), 2) breaking down of the legislation (Phase 1), and identifying the time consumption for businesses (Phase 2). The time planned and used for analysis and finalising the report is included (Phase 3).

The figure is based on 11 countries in the study, with a delivery of all final Phase 2 sheets by March 2007. However, final data for the majority of countries were received by the beginning of August 2006. Since the phases were overlapping, and because data were

Figure 1.A1.1. **Difference between planned time and used time on Phases 0-3 and finalisation**[1, 2]



1. The full period runs from the beginning of November 2005 to the beginning of May 2007, when the final RTA report was presented to the Working Party. The time used reflects the time from the beginning of the phase until data have been received from all countries. Due to differences in the timing for countries, there was an overlap between the different phases.
2. Phase 3 has been split up into the time for analysing the data sets and the finalisation of the report, including consultations of the analytical report, time for translation, editing, putting the document on OLIS, etc.

delayed, the actual time used is higher for each single phase than the total time used for all phases. The end of each of the Phases 0-2 is based on the time the validated data for the analysis have been received from all countries.

The practical start date for the Phase 0[12] was set for the beginning of November 2005. All phases clearly took more time than expected. In total, the difference between the original timetable and the actual time used amounts to approximately 28 weeks (approximately seven months). However, it must be noted that the phases are based on the conclusion for all participants.

The difference in planned and real time could indicate that more time is needed for countries to carry out the measurements. The figure above only shows when the phases have been concluded for all countries; it does not show that there was a large variation among countries in the time used for each phase. Factors such as the national organisation, resources allocated, knowledge of the methodology, etc. can have an impact in different forms and to different extents on the timeliness of the project. In relation to the time frame, the influence of these other factors must be considered, as well as the possibility that more time is the only way to address such challenges. Further, extensive time has been used on correspondence between participants and the Secretariat in order to get the necessary clarifications and explanations, especially in situations where the reporting has not followed the standardised formats.

National differences in respect to the overall timetable has made it necessary to conclude Phases 0 and 1 before all countries had sent their reporting sheets, but basing them on information from the majority of countries. On the one hand that could have limited the possibility of certain countries to put forward suggestions, *e.g.* changes in the set of indicators. On the other hand, it allowed the majority of countries to proceed with

the measurements in line with the common timetable as well as to process their information. It is important to note that the decisions taken at the conclusion of one phase had an impact on the following steps.

What is the Red Tape Assessment method?

The basic idea behind the method is to interview typical businesses about how much time and money they spend on performing administrative activities that are necessary in order to comply with regulation. Based on interviews with business representatives, the time for a normal business[13] is determined.

The aim is to compare the time used on complying with legislation across countries by looking at a selected set of indicators. Extrapolating data should, further, make it possible to get an overall view of the administrative implications associated with a given rule for the population.

Apart from giving an indication of the cost and overall time consumption, comparisons should also reveal best practises[14] and input for national simplification work. The analysis of the data received served as an illustration of the RTA method.

The information compared was based on a detailed analysis of national and international regulation performed by the participants. The regulation was broken down into specific obligations defined for businesses, which could for example be that trucking firms are obliged to apply for a permit to carry out road freight transport. By looking at the related administrative task required, the time and cost used by business to comply with the obligation was identified. Businesses for example had to tell how long it takes to find or document that they are of good repute.

In this way the RTA method allows for the identification and quantification of the administrative burdens encountered by business due to government legislation.

In terms of the RTA methodology:[15] *Administrative burdens* are the costs imposed on *businesses*, when complying with *information obligations* stemming from *government regulation*.

Regulation should here be understood as legally binding documents, such as laws, acts, orders, etc. Government includes all bodies that are principally controlled and financed by the national government itself. Interest organisations, international institutions, etc. are not considered. International rules and conventions are considered if they are implemented or regulate the national businesses taken into account. For example in Europe, EU directives and EU regulations are of concern.

Voluntary rules are also included, because a business can be confronted with costs for supplying information as a result of legislation or regulations of a voluntary nature. It can be considered voluntary to apply for a permit to conduct road freight transport, but if the business decides to work in the sector it is legally compelled to supply the information.

Finally, the RTA approach is based on the assumption of full compliance, which means that businesses are expected to follow the regulation in question to the letter. The assumption of full compliance means that all businesses in the target group are expected to follow the legislation, and therefore does not reflect if the actual level of compliance is different.

Even though the RTA is based on the SCM methodology, there are some modifications and differences that need to be taken into account. The main ones are listed below:

- The focus of the RTA is international comparison.

- The RTA looks at events and a sector.
- The RTA defines a set of benchmarking indicators.[17]

First, it should be taken into account that the RTA approach makes international comparisons, whereas the SCM is primarily developed for national measurement purposes. By going to the level of international comparison, several factors that might be less relevant in national measurements can certainly have a stronger impact. For example, consistency in the implementation of the method and the standardisation of information will have an impact on comparability, which will not be equally important in measurements at the national level.

Further, it was decided to look at two events, "hiring a worker" and "operating a vehicle", whereas the SCM would begin by looking at a specific legislation. This means that the area of investigation was at the outset defined by business procedures, whereas the SCM takes the regulatory text as point of departure. This means that in the RTA a set of administrative tasks are being transferred back to specific legislation, which adds an additional procedure to the method and an additional layer of interpretation. At the same time, selecting events can help identify relevant areas of comparison across countries despite the legislative demarcation of the national legislation, and can take into account the situation of the businesses.

The benchmarking indicators have been defined to identify a set of regulatory obligations inside the events, which can be compared across countries. In order to follow the general methodology, indicators were identified that then had to be paralleled to a specific legislative obligation. This means that only a selected number of obligations found in a given law will be analysed, which – depending on the legislation – makes it more challenging to select, whereas the whole piece of legislation would generally be the focus in the case of the SCM. The indicators do not fully cover the events, but identify comparable administrative procedures and obligations across countries. The full complexity of each event in each country is therefore not reflected by the indicators.

Agreeing on the RTA manual

The RTA manual (Annex B4) was written to help countries carry out their measurements and enhance clarity on the RTA method.[18] The manual gives participants guidance on how to measure and benchmark administrative burdens for the project. Following the same method is of course essential when engaging in a comparative study like the RTA. It was up to the participants to ensure proper implementation of the RTA methodology.

The RTA manual contains a step-by-step description of how to carry out the measurements. The manual also includes descriptions and definitions of key terms for the project and the methodology, such as the road freight sector, information obligations, etc., in order to arrive at a consistent approach in the measurements across countries. Further, the manual contains a chapter on project management and the responsibilities of the different parties, including the national organisation of the project.

The different phases[19] and their main content are described below and discussed further in the coming sections. Phases 0-2 are related to the measurements carried out by the participating countries, whereas Phase 3 addresses the analytical work to be carried out by the OECD Secretariat.

The step-by-step guide was introduced to help countries implement the method in a consistent manner as well as to avoid making the exercise time-consuming. Some

Box 1.A1.1. **Phase 0: Start-up, identifying benchmarking indicators**

- Exploring and describing the national business sector and the events.
- Associating the pre-identified information obligations (benchmarking indicators) with the specific national regulations and rules. Suggesting changes in the information obligations to be compared, including adding or withdrawing. National start-up meetings are suggested.
- Report sheet for Phase 0 is sent to the OECD Secretariat.
- Phase 0 concludes with agreement in the Steering Group/participating countries on the set of benchmarking indicators with which to proceed to Phase 1.

Box 1.A1.2. **Phase 1: Preparatory analysis**

- Breaking down information obligations into data requirements and relevant administrative activities, and classifying them (origin, etc.). Countries were free to select further information obligations to be part of the national measurement, which would however not be compared.
- Identifying the population, rate, frequency and cost parameters as well as business segments (*e.g.* small and big businesses).
- Identifying which information obligations are to be assessed via business interviews and which will be estimated by experts.
- Preparing an interview guide for the business interviews.
- Carrying out an expert review of the Phase 1 work and information.
- Sending the report sheet for Phase 1 to the OECD Secretariat. Phase 1 concludes with agreement in the Steering Group/participating countries on the national breakdowns.

Box 1.A1.3. **Phase 2: Analysis of time consumption and costs to businesses**

- Interviews are carried out with business and validated. The results are sent in the report sheet for Phase 2 to the OECD.

Box 1.A1.4. **Phase 3: Analysis, benchmarking and presentation by the OECD Secretariat**

The OECD analyses the results from the national measurements with the aim of presenting the results to the Working Party in September 2006.

countries said the step-by-step guide was very useful, since it made it easier to organise and to prepare the national measurements more efficiently.

Not in all cases were the phases fully aligned with the step-by-step guide. Phase 1 and Phase 2 especially were overlapping, because not all data were made available in time by the participants. For example, information on populations generally took a fair amount of time to find and have validated, which meant that the data were not final before the end of

Phase 2. In some cases the breakdowns were adjusted or fundamentally altered during the measurements; in some cases this was a purely technical issue, in others a substantial issue as well. Continuous changes after crucial decisions in the project impacted on the timeliness and on the measurement, in terms of ability to ensure that like indicators and data were measured. This challenges comparability both from a technical and substantial perspective.

Introducing reporting sheets

As part of concluding the different phases, and to get standardised and comparable information, the Secretariat introduced reporting sheets for Phase 0, Phase 1 and Phase 2; draft versions were attached to the RTA manual. The reporting sheets were to form the basis for the data collection and informing the Steering Group/participants on results and progress. The sheets collected both qualitative and quantitative data in order to present the relevant information. Further, the data on the sheets were nationally validated according to the national set-up.

To the extent possible, the reporting sheets took into account experiences at the national level with reporting data on SCM measurements. Further, consultations with the Steering Group and the participants were carried out to check the feasibility of the sheets, because they would structure the data collected.

Nevertheless, in several cases it was in practise not a straightforward matter to fill in the sheets, especially the Phase 2 sheet.[19] One problem was to know to what extent the standardisation aimed for was the right one. Another was that the actual structure in the information asked for was not logical or understandable. It is also likely that the experienced problems indicated unfamiliarity with the methodology or uncertainties in the implementation of the method. This could explain why some countries submitted data in different formats, which made extensive follow-up, adjustments and changes necessary to obtain data in the right format.

It should be noted that different ways of filling in the sheets or lack of information can introduce further uncertainties and possibilities for faults in analysing the data. To the extent possible, in the cases of major divergence the Secretariat sought clarification from the respective participants.

Starting the project (Phase 0)

Phase 0 of the project was meant to give an overview of the sector at the national level and to identify a relevant set of indicators to be measured and compared.

As part of the launch of the RTA project, the OECD Secretariat organised a start-up meeting for all participating countries on 17 November 2005. The meeting was attended by 6 of the 11[20] participating countries.[21] Emphasis was placed on the methodological and technical aspects of carrying out the measurements. The aim was to provide participants with a common ground for getting started and to clarify questions in relation to implementation of the RTA methodology, to ensure a consistent approach across countries in the measurements.

Several countries also held national start-up meetings with relevant stakeholders such as other ministries, business organisations, etc. In one country, the start-up meeting included informing relevant stakeholders about the purpose and method of the project. Further, initial discussions on the sector, the events and the benchmarking indicators were part of Phase 0 in order to clarify national relevance and challenges.

Even though the sector and the events for the project had been selected by the Steering Group and defined in the RTA manual, as part of Phase 0 participants were to explore the national characteristics of the sector and the events, so as to clarify the context in which the measurements were to be understood and interpreted.

The information has been used to help identify major differences and parallels in the sector and the events across countries, which should be taken into consideration for comparative reasons. The different features of the road freight sector have been analysed in greater detail in Annex 1.A2, in order to present some relevant background information.

Identifying the benchmarking indicators nationally

Based on the initial investigations of the sector and the events, the benchmarking indicators had to be identified at the national level. As it had been agreed that the exercise should be kept fairly simple and possible to conduct within a limited time frame and inside the given focus of sector and event, a draft list of possible benchmarking indicators was suggested in the manual. The list was based on desk research and input from participants and business associations.

Using feedback from the participating countries, the list of benchmarking indicators was adjusted and confirmed by the Steering Group 20 February 2006. The list was based on information from the majority of the participants. The chosen benchmarking indicators followed the concept of an information obligation and were identified by the following criteria:

- They should be inside the definition of sector and event.
- They should be of comparative interest.
- They should be relevant in most participating countries.

Each benchmarking indicator should be seen as parallel to an information obligation, thereby keeping the approach as simple as possible. Introducing more "composed" indicators, *i.e.* including more than one information obligation, could cover more elements of the national procedures. At the same time this would increase complexity in the measurements and could disguise major definitional or conceptual problems (OECD, 2005c).

It should be noted that the indicators used in the RTA project have a composite element, since they are composed of a subset of specific requirements and activities.[22] This feature should be taken into account before going further in the direction of working with more composed indicators.

Each participating country identified the relevant information obligations in national and international legislation corresponding to the suggested benchmarking indicators. In the RTA project the term "information obligation" was defined in parallel with the SCM method:

"An information obligation is the passage in a law or regulation text that requires a business to provide or draw up information, and make this available, i.e. *a duty that the business cannot avoid without entering into a position of opposition to the law."*

It should be noted that the definition would include the obligation to inform public authorities as well as third parties such as consumers, etc.

Identifying the information obligations required specific investigation and analysis of the regulation. In the case of European countries most of the information obligations are related to EU legislation. This meant that when the legislative text was identified on the international level, the corresponding implementation etc. might have been found more

easily in the national legislation. For countries outside Europe it was to a lesser extent possible to use a common reference in supranational legislation.

Having a common reference, if relevant, is necessary to ensure substantial comparability for the countries concerned. This might at the same time indicate a bias favouring the countries, in this case EU countries that adhere to the same supranational legislation. This legislation will by definition be of cross-cutting relevance even though implementation can differ across countries.

All indicators selected are found in European countries, fewer in the countries outside Europe. It is not clear if this is only due to the focus of the project on the road freight sector, for which international permits in some of the countries outside Europe are less needed.

As part of arriving at a useful demarcation and selection of indicators, participants could suggest adding or removing benchmarking indicators based on their own analysis of national/international legislation and practise. This resulted in some changes in the initial list of 15.[23] The final list of benchmarking indicator included 17, with 14 related to the event "operating a vehicle" and three related to "hiring a worker". The alteration and extension of the list generally consisted in deleting some indicators and splitting up others. For example, the indicator on applying for international licences was split to reflect the reality and make it compatible with the RTA method. Only one new indicator was suggested by participants on behalf of their national investigations: statistical reporting.

The identification of indicators was challenging. Some would generally be applicable to all kind of businesses, but in this project they were only looked at from a sector perspective. Secondly, some indicators seemed too complex to handle without losing comparability or going outside the event. In addition, the definitions of events would in some cases seem to be slightly academic; they were nevertheless introduced to focus the exercise in light of the comparative approach. The event of operating a vehicle is more specifically aimed at the road freight sector and seemed more straightforward for defining a set of benchmarking indicators.

It was left to countries to collect data on additional information obligations for their own purposes. It was noted that it would not be possible to treat these data as part of the benchmarking exercise. Only Norway has carried out a more general measurement of the road freight sector in the realm of the exercise.

The first demarcation of the indicators established the structure for the subsequent phases. Identifying the indicators in effect narrowed the focus of the project as well as providing a comparable starting point. Interpretation of the legal texts as well as the suggested indicator plays an important role in the selection process. Knowledge of the legislation, the methodology and the sector are essential for identifying the relevant indicators.

With those points in mind, some countries mentioned that the involvement of relevant ministries was very important, because of their expertise in the regulation. Another aim in involving other stakeholders was to ensure that the right information was collected.

Preparatory analysis (Phase 1)

In Phase 1, participants were to break down the indicators into further detail and identify other elements relevant to the measurements, such as population. A guide for conducting interviews was drawn up.

Breaking down information obligations into data requirements and activities

The first element was to break down the information obligations into data requirements and activities. Data requirements comprise the information that is needed in the individual obligations – for example, what a business is required to submit in an application, which could be information on the business, on the vehicle, documentation, etc.

For many countries this was a new exercise. Only Denmark[24] and the Netherlands had done full baseline measurements up to that point, which meant that their breakdown was already done and defined in most cases.

Certain participants encountered difficulties with some aspects of the breakdown. Annexes B1 and B2[25] show how this was done for the different indicators. The breakdown analysed is divided into common and additional data requirements; the common requirements are the ones that seem to be found consistently in most countries as part of the indicator. Finally, a list of data requirements found to be non-comparable due to differences in demarcation has been identified. This division has been made to strengthen comparability of the data and ensure transparency in the calculations.

Common data requirements are those that are both consistent and directly comparable across countries. Data requirements in the additional category are relevant to include in the calculations, because they are considered to be based on substantial differences in relation to a comparable information obligation. This could be the case of goldplating, meaning that for example an EU country has added further requirements than provisioned in an EU directive. This would imply that the country has added administrative tasks that are not found in other countries. Further, there might also be purely national requirements, which make the overall administrative tasks more time-consuming in one country than in another due to national priorities.

As the analysis shows, no comparison has been made for some of the indicators measured, because demarcation was inconsistent and it was not possible to adjust for it. For example, on the indicator "Registering a vehicle", it differed between countries depending on whether or not the registration for both new and second-hand vehicles was addressed; that made comparison impossible.

Clarifications and adjustments for the calculations have been necessary, for example in respect of not taking into account training and exams as part of applying for a national permit. This indicates that differences in demarcation exist not only at the level of the information obligation, but also at the level of data requirements and activities; that needs to be addressed in comparing and analysing the data. In this way, major demarcation differences are duly considered. In some cases, requirements in this category stem from EU regulations, which means that they would be directly applicable in all EU countries. However, the data requirement has been categorised as a difference in demarcation and therefore not included in the calculations, because other countries have not identified it as part of the indicator. If this is not taken into consideration there might be a bias in the comparison, since an administrative task carried out by businesses in the countries compared would only be counted for in one country. At the same time this clearly indicates the challenges in producing a comparable breakdown.

Breakdowns of data requirements into activities are based on a list of standard activities. It was mentioned by some countries that not all activities were relevant, and that only the relevant ones should be included. Others suggested that additional standard activities be included. This highlights the challenge in standardising across countries in

order to be able to compare, which can limit the flexibility called for under different local circumstances.

Breakdowns did not always seem clear-cut and needed thorough consideration. In many cases the relevant forms for applying for a permit were mentioned as helpful to identify the data requirements in relation to the legislative text. However, it differed between countries in how far specific forms exist or how the requirements have been specified in the legislation. Further, both knowledge and interpretation of the legislation impact on how the breakdown is carried out, as well as the legislative culture. Also, familiarity with the methodology and the sector will influence the breakdown structure.

Classifying the data requirements

Participants also had to classify the data requirements according to their origin and level. Classifications were made in order to provide an overview of where the administrative costs of businesses originate. The classification identifies the extent to which data requirements have a supranational origin, originate from national rules, or finally stem from provincial/local rules. The provincial level is additional compared to the SCM method, since the RTA project also includes countries with a federal structure.[26]

Classifying data requirements helps identify where the rules stem from, and accordingly where efforts might be made if administrative burdens are to diminish. As for the indicators selected for the RTA project, many are bound to international legislation. At the same time however, differences in the implementation of the same data requirements might be a reason for variation in the time consumption across countries. Having the information from all countries is of course necessary in order to carry out analysis of the data sets.

The level of data requirements has also been classified as either general or specific. Specific legislation is legislation that is only aimed at the business identified for the business events. This could for example be the data requirements regarding a permit for doing road freight. General legislation would be relevant for businesses outside the road freight sector, which is the case for the data requirements on hiring a worker. In the case of general data requirements it is important to be aware that the focus here has only been on the road freight sector and that conclusions can only be drawn for this sector. For the RTA project most of the indicators in the event "hiring a worker" are general, whereas it is the opposite for the event "operating a vehicle".

No general segmentation in the measurement

During Phase 1 it was possible for participants to suggest general segmentation in the measurement. Segmentation[27] involves dividing businesses into certain subgroups, *e.g.* according to size, turnover or other parameters. The advantage is that it makes it possible to identify difference in time consumption and cost between the different subgroups identified.

While performing segmentation on several variables can be interesting, it can also be very costly and time-consuming. First of all, segmentation will multiply the number of interviews needed. Second, the practice will always make it difficult to grasp complexity in its full dimension and will tend to raise the volume of data to be validated and processed. Segmentation should therefore be judged in light of the analytical benefits and the resource situation of the project.

For the RTA measurement, no general segmentation was suggested based on the national analysis of the indicators. It was however left to countries to carry out segmentation, if they found it useful or necessary. The need for segmentation sometimes becomes clear after conducting the first interviews, because they might identify substantial differences between businesses.

Some countries did perform segmentation – Norway for example, made segmentation on the employment contract indicator. It should however also be considered if the benefits from segmentation might change depending on the country and its business structure in general. Some obligations might be handled in a homogenous way for businesses in one country, which might not be the same in another. Introducing useful segmentation is related to a good understanding of the sector, the legislation and the methodology. Segmentation is also an important instrument in terms of standardising and analysing data.

Finding the population, rate and frequency

Another element in Phase 1 was to identify the population for each indicator. The population indicates how many businesses are affected by the regulation, or how often an action has to be carried out. In the RTA project the populations for each indicator were mainly based on the actions rather than the sector as such. The population for the indicator linked to applying for a national permit to conduct road freight was, for example, defined as the number of applications for a national permit.

In order to help participants in finding the relevant populations, the list of benchmarking indicators selected also identified the populations to be defined for each information obligation. Some of the definitions were redefined during Phase 1 as a matter of focus. The definition on hours of service in particular was extensively discussed, because the indicator for most countries includes both activities by the driver in order to register driving hours and activities at the business level in relation to storing data, at least for the use of an analogue device. Several countries mentioned that it was difficult to obtain the actual population data. In some cases the sector-specific approach made it difficult to find the data, since for example the figures for the number of new employments per year in the road freight sector was needed for the event "hiring a worker". These figures have in many cases not been directly available in statistical material or registers. Getting the figures has also been identified as difficult in some of the cases where segmentation has been carried out.

Where statistics or registers were not available, participants generally based the population figures on estimates based on available information. Different approaches based on were taken to get the population figures; these included expert assessments, information from ministries and information from business organisations. It was important that deviations from the common definitions be appropriately documented in order to ensure comparability and minimise faults in the technical handling of data.

For some information obligations, participants were not able to give a figure for the action-based population; in those cases either the figure was left blank or another population was identified. Differences in the population will of course impact on the aggregate calculations for the information obligations in question.

In some cases the issue of identifying populations was seen as a possibility to raise regulators' awareness of the legislation's target groups. Apart from gaining a clearer

understanding of the businesses regulated, this was identified as way to analyse how the overall cost can be reduced by targeting the businesses that must comply with the legislation.

Identifying the population also involved focusing on the rate. The rate is the proportion of businesses complying with the information obligation that have to comply with the given data requirement. The rate would be different if only the businesses in the population organised in business form would have to deliver certain information. This would be an example of a threshold in the legislation.

Especially in relation to population, it should be noted that the RTA method is based on the assumption of full compliance, which considers that all businesses would follow the regulation in question and the corresponding requirements. In this way, the measurements take into account the full potetial impact of the legislation and do not consider cases where compliance is not done by the letter.

This assumption can create a gap between the measured time to comply and actual compliance, if it is known that businesses do not comply fully. The reasons for not complying with regulation can be many, which are interesting from a regulatory perspective: the regulation is difficult to understand, is unknown to the businesses, is considered obsolete, etc. Such information can therefore be useful in revising legislation.

Based on feedback from the actual measurements, all indicators are not fully complied with in reality, for a number of reasons. For example, in the case of statistical reporting it has been mentioned that the benefit of submitting the data is unclear.

Frequency has also had to be considered in relation to the indicators and data requirements. Frequency indicates how many times a year a data requirement/ information obligation has to be complied with. In most cases, frequency would be expected to be one.

Identifying cost parameters

As part of preparing the measurements, participants also identified relevant cost parameters. This included the wage rate for internal personnel such as the driver, administrative staff, etc. Information on the cost of external assistance and acquisitions was covered as well as overhead.

For the internal personnel, standardisation involved a division into four groups covering driver, administrative staff, management/professional and senior management. This should give an indication of which category of personnel were doing the administrative tasks. Further, it was considered how the differences would impact at the aggregate level, since differences in the aggregate cost could be related to simple differences in wage level (even though for example the time consumption at business level is identical). As the analysis shows, the wage level was not included in the calculation of total burdens due to complexity and the possibility of introducing bias into the figures.

Preparing an interview guide

As part of Phase 1, participants prepared an interview guide to be used when interviewing businesses. In order to ensure a consistent and systematic approach to the interviews across countries, an example of the guide was forwarded to all participants (see Annex B3). The guide placed emphasis on the process of selecting businesses, to ensure relevance. Further emphasis was put on the selection process of businesses in order to

make sure that the relevant businesses would be interviewed. The quality of the interviews as such would of course also be related to the competences and skills of the interviewer.

Completing Phase 1

All the information collected and steps taken had to be validated at national level, based on the national procedures, before it was sent to the Secretariat. The Phase 1 material was processed for the majority of countries. A first draft of the break-down of information obligations (see Annex B1) was set up in order to structure analytically the data received in identical and additional requirements.

Measuring time consumption in businesses (Phase 2)

In Phase 2, the participants interviewed businesses to gain data on the time consumption related to each information obligation and its breakdown. In cases where interviews were not possible, expert assessments were used. The ease of gaining interviews varied among countries. In some countries, businesses had been enthusiastic about the project and about participating. In others, businesses had been more reluctant and sceptical. In some cases, it was difficult to get to the smallest businesses, because they could not find the time. This might of course lead to a bias in the sample of businesses interviewed.

In some countries, the timing for doing interviews had not been optimal, since springtime is a busy time for trucking firms in some countries. In some cases, businesses expected remuneration in order to participate, or expected that they would somehow get something out of it. There does not seem to be an overall explanation for the difference in willingness to participate, but cultural differences and the recruitment process might have an effect. Further, some countries mentioned interview fatigue by businesses as a reason for their reluctance to participate. To enhance the participation of businesses some participants had sent a formal letter signed by the minister.

The actual interviews were to be semi-structured, based on the interview guide prepared in Phase 1. In most countries, interviews were conducted face-to-face and in some cases by telephone. Differences in the way the interviews were conducted can impact on the results obtained.

Not all businesses found it straightforward to identify the time used on the data requirements – the information requested at that level was identified as too detailed to answer. In some cases, it was also difficult for business to separate the requirements from each other, because they were seen as part of one procedure. This was for example the case for some businesses where the application for renewal of a national permit was made a part of applying for a new national permit to conduct road freight. The businesses' ability to recall the time used on certain tasks has also been mentioned as difficult in cases where these tasks were seldom performed. It is therefore important that businesses with recent experience of the information obligation be interviewed – also a way of ensuring that it is the legislation in force that is measured.

An approach used by some interviewers was to let businesses identify the time spent in total – *e.g.* on filling in an obligation/form – and then afterwards go through the single data requirements for the time used. Comparing the two totals would then act as a validation in the interview. A similar technique was to get businesses to define the total and then divide it in relation to data requirements and activities, which in going through

the division would also function as an additional check. Both methods cross-check the information received during the interview to ensure that data is correct (Jensen, 1991).

The interview is essential to the RTA measurements. Semi-structured interviews will to a large degree depend on the person conducting the interview, in relation to their knowledge of the subject, the method (RTA), the business and its procedures. Further, potential differences in culture and interpretation by businesses should be considered. Therefore, in preparing the interviews it is important to have knowledge of the sector and the methodology.

The objective of the interviews was to find out how much time the businesses use on the individual activity that is associated with a data requirement. If businesses' answers were inconsistent, more business interviews were to be conducted until it was possible to ascertain standardised time consumption associated with the administrative activities for the normally efficient business.

The normally efficient business[28] is defined as a business within the target group that handles administrative tasks in a normal manner, neither better nor worse than may be reasonably expected. The normally efficient business is found by conducting interviews with a number of typical businesses within the target group. This should mean that only businesses that for example have recently applied for a national permit are interviewed in relation to that indicator.

The concept of the normally efficient business as the way of standardising the time was mentioned as difficult by several participants. Based on the sample selected some found it very challenging to make a just standardisation. Doing so implies that the people doing it are making a critical assessment of the interviews in terms of reliability. It should be noted that in cases where the time consumption is low, data become very sensitive to variation, which also makes the standardisation more challenging.

In order to standardise the time used for the normally efficient business one country indicated that they have relied on the mean or the average of certain observations gathered, which is different from doing a standardisation based on the normally efficient business. Such differences in implementation can challenge the comparability of data.

In some countries, the sample size of about 3-5 businesses to cover one indicator has been considered as problematic in terms of being representative. Others have considered the sample size a relatively minor issue due to the relatively narrow population definitions, the level of detailed discussed and the different validation procedures.

Increasing the number of businesses would naturally imply an increase in the number of interviews, even though the businesses selected might often be able to cover more than one indicator. At the same time, others have suggested that more expert assessment could be used in order to save time.

The extent to which finding the standardised time for the normally efficient business hinges on the selection of businesses for the interview – because of the size of the sample – has been discussed by an academic advisory group.[29] Careful selection has been mentioned in some cases as very useful in order to get targeted information. In this way a certain, tactical kind of selection has been used, as in examples of qualitative research (Patton, 1984).

Filling in the Phase 2 sheet

The final validated and standardised data from the interviews on population, rate, frequency, wage, etc. were sent to the Secretariat in a defined reporting sheet. The final data were validated at national level according to the national set-up, *e.g.* with business organisations and ministries there to ensure that data followed the RTA method and structure. Canada asked for their data on time and cost not to be released, because these were not found to be sufficiently accurate.

The Phase 2 sheet was an Excel sheet, constructed in order to get similar reporting data from each country. This should enable a more direct comparison of data across countries, and help avoid mistakes when handling the data. The Phase 2 sheet was sent in consultation to the Steering Group and participants in order to get their feedback and approval of the way data should be collected.

Lastly, the sheet was important for technical reasons, *i.e.* storage and processing of the data in an OECD data structure. The data structure was inspired by databases used for national SCM measurements and adapted to OECD needs. The practicalities of the data structure were tested by national experts in order to enhance the functionalities at the highest possible level.

The way the sheets were filled in differed from country to country. This made it necessary to have extensive follow-ups with several countries. Some mentioned that it was difficult to fill in the reporting sheet and some found other formats more convenient. The differences can relate to issues such as acquaintance with the methodology, the complexity of the sheet and differences in the legislative structure and information gathered from the interviews. It should be noted that inconsistent reporting can increase the likelihood of mistakes in the calculations and give rise to analytical uncertainties. In some cases the final data sheets have been altered several times after the deadline for reporting. One country even did a new round of interviews, which prolonged the process.

Analysing the data (Phase 3)

In order to make a useful comparison, it is important that differences and other potential difficulties are recognised and addressed. Only some of the indicators have been analysed, based on thorough evaluation of the comparability of data.

A meeting was held in Paris on 30 June 2006 to discuss at a technical level the measurements carried out by countries in order to establish an informed basis for analysis and adjustments. Eight out of the thirteen countries participated in the meeting. The overall aim of the meeting was to seek clarification on technical issues behind the data gathered, in order to enhance comparability as well as gain feedback on the measurement process in general.

One of the major issues at the meeting was the breakdown of each information obligation. The aim was to discuss and clarify whether identical data requirements would be coherent across countries in relation to the information obligation in question. After the meeting the breakdown was sent to all concerned parties to get final feedback on the division of data requirements. In an analytical sense, this categorisation should make it possible to minimise variation that might weaken the aspect of comparability. This, however, does not signify that variation should be eliminated by definition, since a certain variation in the data requirements might illustrate how countries handle information obligations differently. Variation due to differences in demarcation, however, should be

eliminated. Therefore, a division between additional requirements and demarcation differences has been made for each information obligation. The division was agreed with participants in January 2007.

Another technical meeting to discuss data was foreseen for February 2007. However, only a few of the countries in the project signed up for participation. In order to obtain the necessary feedback, an electronic consultation with participants was carried out. Finally a consultation of the full report was held in March 2007.

Summary

- This annex looked at the different elements and phases of the Red Tape Assesment (RTA), a slightly adjusted version of the SCM method. The data collected are based on nationally conducted and validated measurements submitted by the participating countries before 6 March 2007. Different challenges in the method and its implementation have been identified based on the data collected and feedback from participants on the use of the methodology:
- Making the demarcation and breakdown of the elements to be analysed.
- Identifying the population.
- Conducting the interviews.
- Standardising the interview data.
- Ensuring consistent and timely reporting.

Notes

1. Two countries (New Zealand and Germany) joined the project at a later stage, in December 2005.
2. By 6 March 2007, 11 countries had finalised their measurements. However, the actual data collected by Canada are not included in the analysis at the country's own request, because of the challenges in implementing the method.
3. The membership of the Steering Group comprises representatives from the 13 countries as well as representatives of BIAC (the Business and Industry Advisory Committee to the OECD) and TUAC (the Trade Union Advisory Committee to the OECD).
4. The Netherlands, the United Kingdom, Denmark, Norway and the Czech Republic have all introduced a full baseline measurement of administrative burdens via the SCM method.
5. The network was founded in 2003 in order to facilitate exchange of information on the methodology. More information on the network can be found on the SCM network's homepage, *www.administrative-burdens.com*.
6. The RTA manual can be found at *www.oecd.org/regreform,* Annex B4.
7. For more information on the road freight sector in general, see Annex 1.A2.
8. An example of "private trucking" is a construction business that also owns and operates a number of trucks to move its own equipment and materials from site to site. See also Annex 1.A2.
9. A start-up meeting was held in November 2005 and a technical meeting on the data submitted was held in June 2006.
10. This information is based on the contact sheets received at the beginning of the project, as well as information obtained during the project.
11. For more information see *www.oecd.org/regreform,* Annex B4, Chapter 7.
12. In relation to calendar time, one week has not been counted in both columns due to Christmas break. Phase 0 would go from the beginning of November 2005 to end-February 2006 (including consultation in Steering Group); Phase 1 is from end-February to end-April 2006 (including consultation in Steering Group); Phase 2 would be from end-April to 8 August 2006. Updates of single

indicators have in some cases been submitted during August 2006; these have been taken into account to the extent possible.

13. In the method the focus is on the normally efficient business, which is defined as a business within the target group that handles its administrative tasks neither better nor worse than may be reasonably expected. The measurements therefore do not include businesses that, for various reasons, are either particularly efficient or inefficient.
14. As mentioned in The Benchmarking Code of Conduct (APQC, United States), "Benchmarking – the process of identifying and learning from best practices anywhere in the world – is a powerful tool in the quest for continuous improvement and breakthroughs."
15. The definition is parallel to the definition used in the SCM method.
16. One benchmarking indicator should in this exercise be understood as parallel to one information obligation.
17. Experience from existing SCM manuals and countries that had already performed measurements of administrative burdens, such as Denmark and the Netherlands, has been used in drawing up the RTA manual.
18. For further information see the RTA manual, Chapter 5. Available at *www.oecd.org/regreform*.
19. An example of the Phase 2 sheet is found in Annex B3 together with an example of the interview guide, *www.oecd.org/regreform*.
20. The two final countries only joined the project in December 2005.
21. For countries not participating, a summary note as well as the power point presentations was circulated.
22. As described in the RTA manual, information obligations are divided into data requirements and thereafter standard activities.
23. The initial list is found in the RTA manual, *www.oecd.org/regreform*, Annex B4.
24. Denmark, however, had to measure six information obligations that had not been measured in the national exercise, because these were primarily EU regulations not encountered in the scope of the national measurement.
25. The breakdown is based on information and several consultations with the Steering Group and participants. The breakdown, Annexes B1 and B2 are available online at *www.oecd.org/regreform*.
26. In federal states legislation might also be issued or implemented at province/local level.
27. The same concept is used in the SCM method.
28. The concept of the normally efficient business is also found in the SCM method.
29. See paper from the academic advisory group on validity, "Validity on some issues concerning the Red Tape Assessment methodology" included as Chapter 4 in this report.

ANNEX 1.A2

The Road Freight Sector

Defining the sector

The transportation sector can be divided into land transport, sea transport, air transport, transport by pipeline and supporting, and auxiliary transport activities (such as cargo handling, storage and warehousing, travel and transport agencies, tour operators). Land transport consists of goods and passenger transport by rail, inland waterways or road. We are measuring burdens for goods transport by road: road freight.

The road freight industry is geared to distribution, logistics and basic physical transport.* It is a key sector of the economy, playing a major role in market integration and having a direct impact on transaction costs for economic agents. Inefficiency and excessive costs in the sector will be passed on to consumers in the form of higher prices.

An efficient road transport sector is therefore essential to ensure international competitiveness, as many products will be transported across countries by road. The sector is also important for those counties with no international road connections because freight is often transported by road to and from the port or airport.

Regulation in the road freight sector

The road freight sector is subject to both general regulation affecting all businesses and economic activity in a country, and industry-specific requirements relating specifically to the sector. The RTA study includes examples of both general and sector-specific regulatory requirements in the measurement of burdens, but is very much concerned with a subset of the total regulation impacting on the sector.

General industry-wide regulation includes taxation, labour, safety and other regulation that apply to all industries and sectors. This form of regulation has not been introduced to address issues specifically related to the road freight sector. Nevertheless, general regulation can still impose significant administrative burdens on the road freight sector.

Industry-specific regulation

The main rationales for regulating the road freight business relate to road safety, the environment and the use of fixed infrastructure. There are generally two broad categories of regulations: regulations on traffic and vehicles, and regulations on the operation of the market. The first category includes the Highway Code, labour regulations, European regulations on

* There is also a high number of very large logistics businesses in the industry that often operate on a worldwide basis.

social conditions, regulations on the carriage of hazardous substances and traffic restrictions. The second category covers mainly market access conditions and price regulations.

Examples of concrete regulatory issues in the road freight industry include: basic traffic regulations concerning driver training, testing and licensing; vehicle inspection and registration; and road and traffic management systems and rules. Regulation of vehicle equipment and registration includes: motor vehicle registration and licensing requirements; motor vehicle inspection requirements; design and equipment standards of motor vehicles and trailers; weight, dimension and loading of motor vehicles and trailers; dangerous goods provision; vehicle ownership certification; and motor vehicle statistics and information.

These types of industry-specific regulation are concerned with ensuring that the industry operates in a safe manner by verifying that the vehicle is maintained and is safe and the driver is appropriately trained. In many cases, the regulations are very technical and detailed, and are therefore likely to impose significant administrative burdens on road freight operators.

Other regulations in the sector concern market access and pricing regulations. For example, in some countries there may be restrictions on the number of foreign haulers who are allowed to operate in the country. Especially in the past, there have been extensive price controls on road freight operators. In general, there has been a trend over time in OECD countries for these "economic" regulations to be increasingly liberalised (Boylaud and Nicoletti, 2001).

Characteristics of the road freight sector in participating countries

This section is intended to provide a brief overview of the characteristics of the road freight sector in participating countries. This overview will put the industry in a national context and highlight some of the particular characteristics of the road freight sector.

Importance in the national economy

The road freight sector makes a significant contribution to the national economies of the participating countries. Tables 1.A2.1 and 1.A2.2 provide data on the value of production and turnover of the sector in a number of European countries.

Although the road freight sector is important in all counties, there is significant variation in its relative importance. In Belgium, for example, the sector accounts for approximately 3.4% of GDP; by contrast the sector accounts for approximately 1% GDP in Germany.

Table 1.A2.1. **Road freight production as a proportion of GDP, 2003**

	GDP (million euro)	Freight transport by road – value of production (million euro)	Value of production as a proportion of GDP (%)
Belgium	274 582.4	9 435.4	3.436
Denmark	189 640.5	4 719.4	2.489
France	1 594 814.0	31 662.2	1.985
Germany	2 163 400.0	20 307.3	0.939
Italy	1 335 353.7	35 301.9	2.644
Netherlands	476 349.0	13 737.2	2.884
Norway	197 011.9	3 382.7	1.717
Sweden	269 548.3	6 858.4	2.544
Turkey	212 268.2	N.A.	
United Kingdom	1 598 171.9	31 061.3	1.944

Source: Eurostat.

Table 1.A2.2. **Road freight turnover as a proportion of GDP, 2003**

	GDP (million euro)	Freight transport by road – value of turnover (million euro)	Turnover as a proportion of GDP (%)
Belgium	274 582.4	9 459.5	3.445
Denmark	189 640.5	4 870.3	2.568
France	1 594 814.0	32 107.2	2.013
Germany	2 163 400.0	23 120.8	1.069
Italy	1 335 353.7	34 809.7	2.607
Netherlands	476 349.0	13 828.4	2.903
New Zealand[1]			3.2[1]
Norway	197 011.9	3 383.1	1.717
Sweden	269 548.3	7 048.4	2.615
Turkey	212 268.2	N.A.	
United Kingdom	1 598 171.9	31 322.8	1.960

1. Data supplied by New Zealand for 2001.
Source: Eurostat.

Table 1.A2.3. **Road freight transport as a proportion of total inland freight 2003**

	Road freight transport (billion tonne-kms)	Total inland freight transport (billion tonne-kms)	Road freight as a proportion of total inland freight (%)
Belgium	54.6	71.4	76.5
Canada	185.0	831.1	22.3
Denmark	11.0	18.2	60.4
France	189.2	266.2	71.1
Germany	290.9	442.9	65.7
Italy	162.7	195.6	83.2
Netherlands	29.9	80.6	37.1
New Zealand[1]	N.A.	N.A.	78[1]
Norway	13.2	18.3	72.1
Sweden	36.6	56.7	64.6
Turkey	153.4	185.8	82.6
United Kingdom	157.0	185.7	84.5
United States	1 534.4	5 464.4	21.8

1. Data supplied by New Zealand for 2001.
Source: OECD in Figures, 2005 edition.

Information supplied by Turkey indicates that the road transport sector accounts for 4.5% of GDP.

Road freight in the overall freight task

The proportion of total inland freight that is carried by road varies widely among participating countries (Table 1.A2.3). In a number of counties, such as the United Kingdom, Turkey and Italy, over 80% of the inland freight task is undertaken by road transport. The proportion of freight carried by road in the other European counties also tends to be relatively high, with the exception of the Netherlands where transport by inland waterways is more important than road transport. Road transport is also relatively less important in Canada and the United States, where other modes carry a significant proportion of freight. In Canada, both rail and pipelines are responsible for more freight carriage than road. In the United States, rail carries more freight than road, and both inland waterways and pipelines, although carrying less than road, contribute significantly to the freight task.

Over time in western European countries, the road transport sector has been gaining market share at the expense of rail and inland waterway transport. The European Conference of Ministers of Transport data show that in 1980 road transport accounted for 66.5% of the land freight transport task; by 2003, this had increased to 78.6%.

Industry characteristics

Table 1.A2.4 provides some data on employment and the number of employees per business for several European countries. The road freight sector accounts for between approximately 1% and 1.6% of total employment in the selected countries.

More interestingly, the road freight sector is characterised by a relatively high proportion of small-sized firms. Table 1.A2.4 indicates that, with the exception of the Netherlands, road freight businesses have on average less than ten employees.

Table 1.A2.4. **Employment in the road freight sector, 2001**

	Road freight employment	Freight, % of total employment	Employees per business
Belgium	62 538	1.6	8.0
Denmark	41 219	1.5	5.3
France	324 237	1.3	7.5
Germany	312 952	0.9	8.4
Italy	313 647	1.5	2.9
Netherlands	125 850	1.6	12.4
Norway	29 762	1.3	2.8
Sweden	63 050	1.5	4.1
United Kingdom	319 779	1.1	8.9

Source: Eurostat.

The industry in non-European countries is also characterised by the domination (in terms of numbers) of small firms. For example Table 1.A2.5 presents information supplied by New Zealand for 2005 on the number of businesses grouped by number of employees. The average number of employees per firm is five.

Table 1.A2.5. **Road freight transport businesses and employment group size: New Zealand, 2005**

	0	1 to 5	6 to 9	10 to 19	20 to 49	50 to 99	100+	Totals
Number of businesses	2 271	1 649	267	258	147	50	38	4 680
Number of employees	0	3 510	1 930	3 580	4 460	3 230	7 550	24 270

Source: Government of New Zealand.

In spite of the large number of relatively small businesses, there is evidence in some participating countries that the industry structure is changing with a trend towards a smaller number of larger firms. For example, in Sweden the percentage of the industry accounted for by single-vehicle firms declined from 58.1% in 1990 to 51.3% in 2003. A similar trend is evident in New Zealand, where the average number of employees per firm has increased from 4.4 in 2000 to 5.2 in 2005, and the number of firms with over 100 employees has increased steadily over the period, from 28 to 38.

Table 1.A2.6 provides information on the number of businesses in the sector in selected counties.

Table 1.A2.6. **Number of businesses: road freight transport, 2003**[1]

	Number of businesses
Belgium	7 847
Denmark	7 207
France	4 5001
Germany	55 797[1]
Italy	10 4571
Netherlands	9 160
New Zealand	4 680[1]
Norway	10 467
Sweden	14 904
Turkey	88 845[1]
United Kingdom	35 641

1. Data for New Zealand (2005), Germany, and Turkey supplied by the respective countries.

Source: European Commission, Directorate General for Energy and Transport, 2005.

Characteristics of the labour force

A report by the European Foundation for the Improvement of Living and Working Conditions (2004) provides an insight into the labour force employed in the road freight sector in Europe. A number of general characteristics are identified:

- The sector is dominated by males, especially as drivers; females tend to be employed in administrative-type positions.
- Employees in the sector tend to be relatively older.
- A higher proportion of workers work full-time in the road freight sector compared with other transport sectors (this may be explained in part by the lower proportion of women in the sector).
- Those employed in the road freight sector tend to be less educated than the national average in the relevant country.
- In many European countries there is a shortage of qualified drivers.

Summary

On the basis of the preceding discussion it is possible to identify a number of characteristics of the road fright sector among the countries participating in the RTA project:

- The sector makes an important economic contribution in each country.
- With the exception of Canada and the United States, road freight is responsible for the majority of the inland freight task. In European countries, there is evidence that road freight's market share has been increasing since 1980.
- The industry tends to be dominated by a large number of small (often very small) firms, but there is evidence in some countries that there may be a trend towards a smaller number of larger firms.

ANNEX 1.A3

Comparison with Other Surveys and Studies

In this annex the findings from the RTA pilot study are compared with other comparative studies that have analysed administrative burdens on businesses and the regulatory environment across countries. This gives view on how the countries participating in the RTA study tend to be distributed on these subjects. As the annex shows, the overall results in the RTA concerning distribution seem to be coherent and consistent with the findings of other studies.

The following annex presents comparisons with results of the OECD Economics Department (Conway, P., *et al*., 2005), the Global Competitiveness Index 2005-06 (World Economic Forum, 2005) and data from *Doing Business in 2006* (World Bank and International Finance Corporation, 2006). The relevance of these choices was set up by the following criteria:

- Indicators are related to regulatory administrative burden, licences or permits.
- A five-year collection period has been chosen for selecting the datasets.
- Databases should include the countries participating in the RTA study.

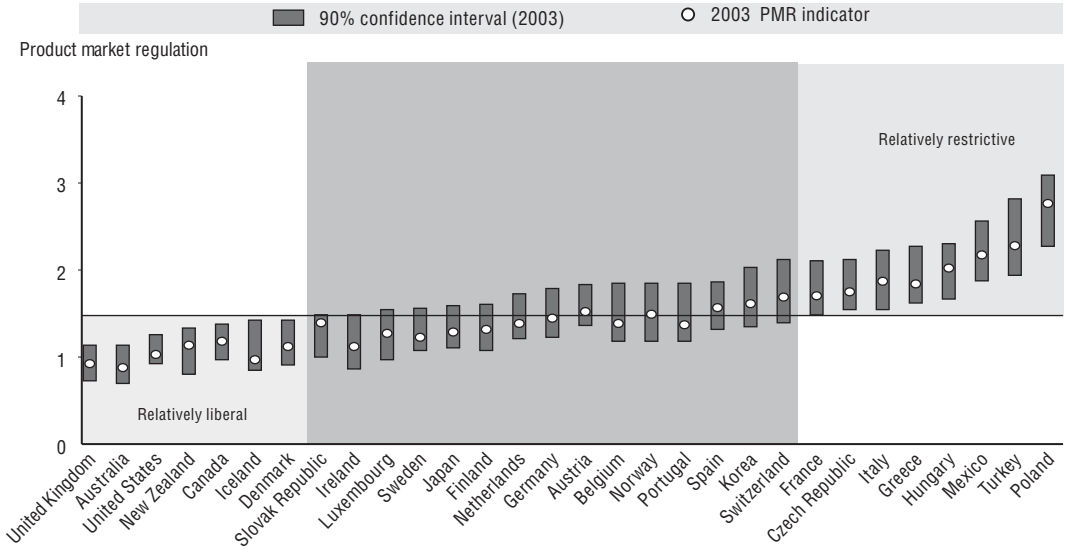
All the criteria mentioned have been chosen to identify relevant perspectives on administrative burdens and regulatory policies as to see general trends in the area.

The indicator on product market regulation (PMR)

The indicator on product market regulation measures the degree to which different regulatory policies promote or inhibit competition. The paper by Conway *et al*. on Product Market Regulation describes trends in OECD countries over the period 1998-2003. Part of the low-level indicators of the OECD PMR indicators are those such as "use of command and control regulation", "administrative burdens on corporations" and "sector-specific administrative burdens". Also, indicators addressed specifically to the road freight sector are included. Therefore, the OECD PMR indicator has been chosen for the comparison. Figure 1.A3.1 shows the distribution of countries for the PMR indicators.

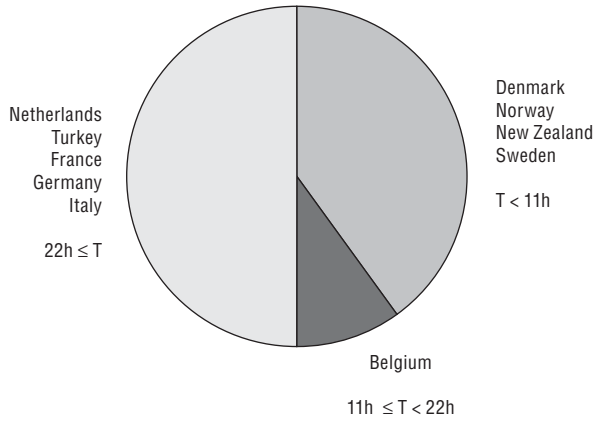
Two groups of countries can clearly be identified: a group of relatively liberal countries that includes Denmark and New Zealand; and a group of relatively restrictive countries that includes France, Italy and Turkey. In the middle interval, Sweden, the Netherlands, Germany, Belgium, and Norway are listed from the most liberal to the most restrictive. This gives a general view on where regulation, in general, might be relative liberal or restrictive, which could be, and most probably is, reflected in the level of administrative burdens. Looking at the overall distribution of countries found in the RTA study, as seen in Figure 1.A3.2, the general trend parallels the PMR indicators.[1]

Figure 1.A3.1. **Country groupings based on confidence intervals for the PMR indicators, 2003**[1, 2]



1. The confidence intervals are calculated using scholastic weights on the low-level indicators to generate a distribution of overall PMR indicators for each country. The 90 per cent confidence intervals are calculated from that distribution. Indicator values for the "relatively liberal" and "relatively restrictive" countries are significantly different at the 90 per cent level of confidence.
2. The scale of the indicator is 0-6 from least to most restrictive of competition.

Figure 1.A3.2. **Relative distribution of countries in relation to total time spent on all information obligations**



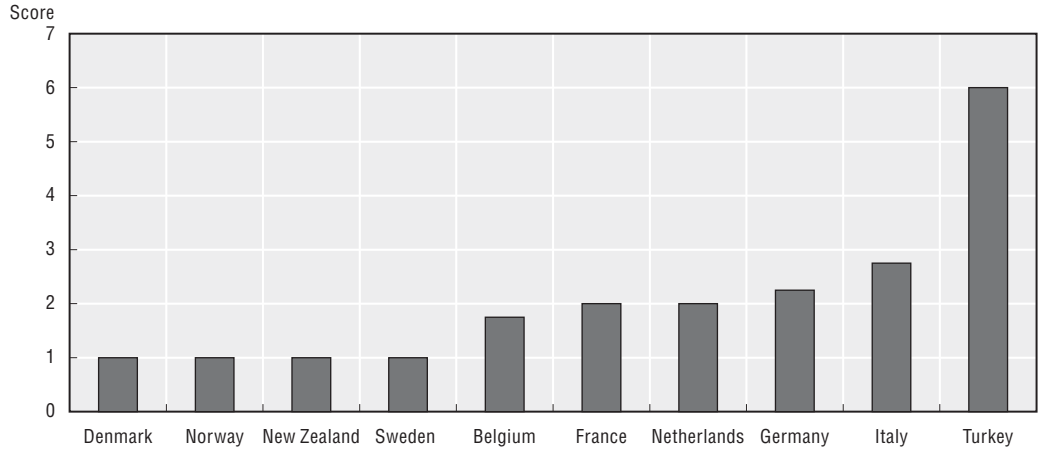
Source: RTA data collection.

When countries are listed from the least time consuming on all information obligations to the most time consuming in the RTA analysis – Denmark, Norway, New Zealand and Sweden are grouped in the lowest category followed by Belgium in the middle and Germany, France, Italy, Turkey and the Netherlands in the highest time consuming category – the general distribution of the countries for the RTA fits quite well with the country groupings based on confidence intervals for the PMR indicators.

Administrative burdens for corporation- and sector-specific administrative burdens

Since the PMR indicators include data on the administrative burdens as well as on sector-specific administrative burdens, looking at these data can yield additional information on what might be expected as a country distribution in the RTA. Figure 1.A3.3 shows the distribution of countries in relation to the administrative burdens for corporations as used in the OECD PMR indicators.

Figure 1.A3.3. **Administrative burdens for corporations, 2003**



Source: Data on administrative burdens is based on data collected for business in the OECD PMR indicators (2003).

According to the chart describing the indicator for administrative burdens for corporations, countries found to have the least administrative burdens, like Denmark, Norway, New Zealand and Sweden, are also the countries with the least time consumption according to the RTA findings. This means that general trends for both RTA and the PMR low-level indicators on administrative burdens for corporations very clearly show the same trend.

Further, Figure 1.A3.4 shows the distribution of countries in relation to sector-specific administrative burdens, which includes the road freight sector and the retail sector.

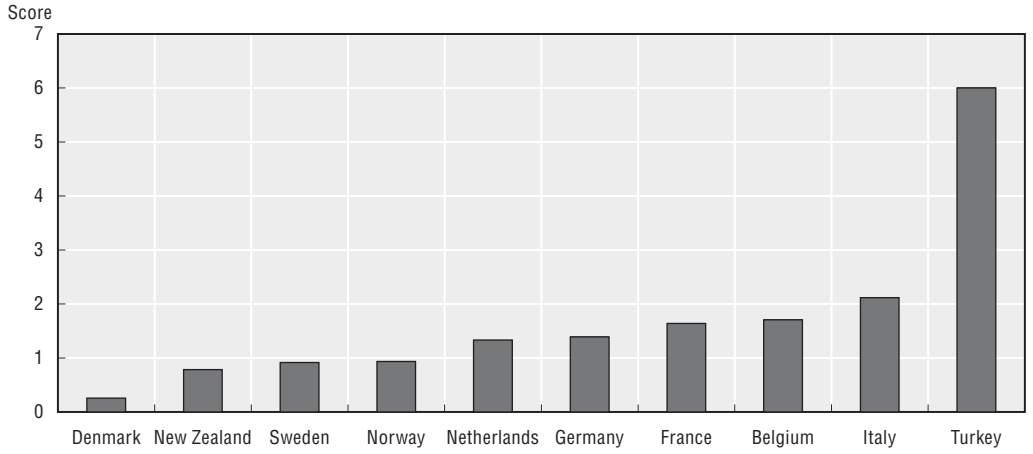
The indicator of sector-specific administrative burdens is composed partly of the road freight sector; however, the distribution generally follows the RTA findings. Once again Denmark, New Zealand, Sweden and Norway are grouped as having the least sector-specific burdens while Italy and Turkey have a rather high score.

Global Competitiveness Index on Regulatory Burden

The World Economic Forum has created an indicator called Global Competitiveness Index, which combines hard data and data collected via an annual Executive Opinion Survey (EOS). The EOS captures the expert opinions of over 11 000 business leaders and entrepreneurs.[2] According to The World Economic Forum, the Global Competitiveness Index is meant to be a tool for shaping economic policy and guiding investment decisions. In general is it used to monitor the competitive condition of economies across the world.

The Global Competitiveness Index differs from the RTA by having a broad view on economic policy instead of focusing on the road freight sector. However, it is useful to compare the RTA findings with the sub-level indicator on Regulatory Burden in the Index,

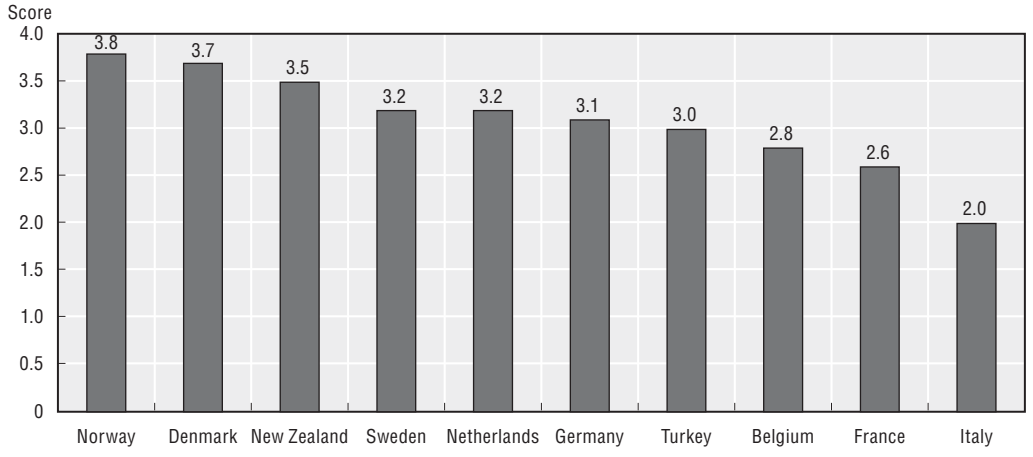
Figure 1.A3.4. **Sector-specific administrative burdens, 2003**[1]



1. The sector-specific administrative burdens indicator (sub-level of PRM indicator) is composed of half road freight and half retail distribution.

Source: Data are based on those collected on administrative burdens for business in the OECD PMR indicators (2003).

Figure 1.A3.5. **Global competitiveness index: regulatory burden, 2006**[1, 2, 3]



1. Burden of Government Regulation is defined as complying with administrative requirements (permits, regulations, reporting) issued by government.
2. The figure reads in ascending order from left to right, in the sense that the first country spends the least total time on all information obligations (IO's) and the last country spends the most time.
3. Scores for Regulatory burden: 1 – burdensome to 7 – not burdensome.

Source: World Economic Forum.

as was also done with the OECD PMR indicators. Figure 1.A3.5 shows the distribution of countries according to the indicator on regulatory burdens.

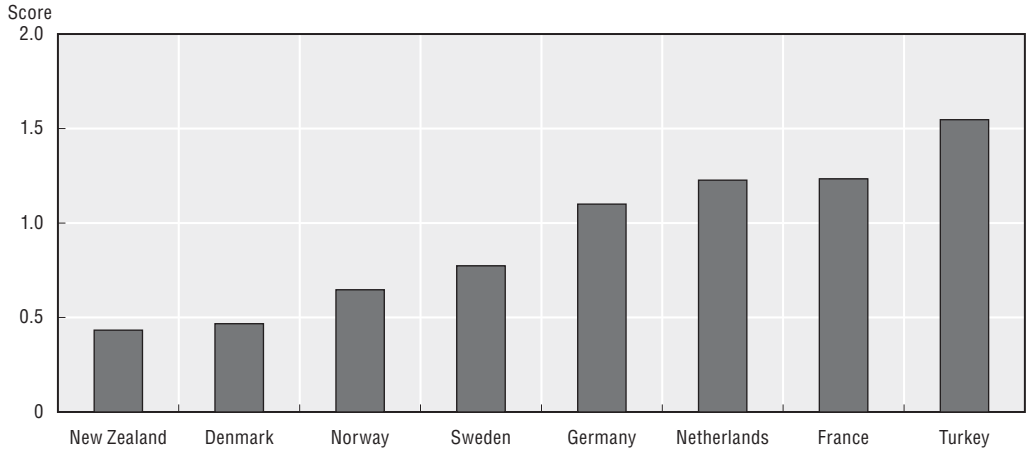
In the Global Competitiveness Index, the countries are shown from the least burdensome regulation (left side) to the most burdensome (right side). It is interesting to note that countries with less burdensome regulation in this study are also those in the lower range of the RTA analysis – Norway, Denmark, New Zealand and Sweden. This comparison also indicates a good correlation level with the RTA results.

The World Bank's *Doing Business* on dealing with licences

The *Doing Business* database published by the World Bank Group in 2006 provides measures of business regulations and their enforcement. The indicators are compared across 175 economies. They indicate the regulatory costs of business and are used to analyse how regulation enhances or constrains investment, productivity and growth.

An item considered "dealing with licences" tracks the procedures, time, and costs to build a warehouse, including obtaining the necessary licences and permits, completing required notifications and inspections, and obtaining utility connections. Even though the objective is broader than the RTA focus, the data on dealing with licences can give a view on what is required of businesses in different countries when they are faced with licensing procedures. The findings of *Doing Business* look at the time related to the item "dealing with licences". Figure 1.A3.6 shows the distribution of countries according to the item.

Figure 1.A3.6. **Time related to "dealing with licences", 2006**



Source: "Dealing with licences", *Doing Business in 2006*, World Bank and the International Finance Corporation.

The figure identifies New Zealand and the three Nordic countries – Denmark, Norway and Sweden – as having the fewest and least cumbersome procedures. Furthermore, there is a strong correlation (0.85) between the two series, RTA total time spent on all information obligations and time related to "dealing with licences".

Summary

The comparison of the RTA findings with other analyses shows the same picture of the distribution of countries. As a basis for comparison, data and information have been taken from the OECD PMR indicators, the World Economic Forum's Global Competitiveness Index, and the World Bank's *Doing Business*.

The results of the comparison show a high compatibility between the different data sets, which stresses the general robustness of the RTA data and findings. The comparison with other data sets analysing administrative burdens and the regulatory impact on businesses also illustrates – since the country distributions coincide – that there is little reason to assume that the differences found between countries in the RTA analysis are caused by factors other than administrative burdens.

Notes

1. Where the RTA findings are only based on data for the administrative burdens the PMR indicators are composite.
2. The information covers *e.g.* the Macroeconomic Environment; Public Institutions: Corruption; Technology, Innovation and Diffusion; Domestic Competition; Human Resources: Education, Health and Labour; Company Operations and Strategy; Public Institutions: Contracts and Law.

PART II

Papers from the Academic Advisory Group on the Red Tape Assessment

Part II comprises two papers produced by the academic advisory group on the Red Tape Assessment (RTA). This group was established in September 2006, following the meeting of Working Party on Regulatory Management and Reform. Its aim was to evaluate and provide specific recommendations to improve the RTA methodology and the organisation of the project.

The group was asked to examine three specific topics based on the feedback and discussions held with participants during the 2-year project. These were:

- *Reliability.*
- *Validity.*
- *Organisation and objectives.*

The group received written feedback from participants about their experience with the project as well as their comments on the interim report discussed at the meeting of the Working Party. In March 2007, the OECD Secretariat sent a draft version of the academics' papers to both participants and the steering group.

The members of the Academic Advisory Group were Prof. Werner Jann (Potsdam University, Germany) and Prof. Nils-Henrik Moerch von der Fehr (Oslo University, Norway). A third member had been identified, but withdrew during the process. The group met in Paris twice to discuss and co-ordinate its work. During the second meeting, Prof. Claudio Radaelli (Exeter University, UK) participated as an external discussant on the papers.

Part II of the present report presents the papers on the validity and the organisation/objectives of the RTA methodology and do not necessarily reflect the views of the OECD. The paper on reliability was not submitted at the meeting of the Working Party on Regulatory Management and Reform and is therefore not included in the report.

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Cutting Red Tape:
Comparing Administrative Burdens across Countries

PART II

Chapter 3

OECD Red Tape Assessment, Objectives and Organisation

The following is an academic paper prepared by Professor Werner Jann on the organisation and objectives of the Red Tape Assessment project. The paper looks at the difficulties of drawing comparisons among data collected from different jurisdictions, with distinct information obligations, regulatory requirements, populations and wage levels. The paper points out a number of the valuable lessons from organising the project despite methodological difficulties, which would be useful to maximise the policy value from future studies of this kind.

Introduction and context

Measuring and reducing the burden arising from regulatory procedures has become an important part of the regulatory reform programmes of many countries. Since both the reduction and the measurement of administrative burdens is not a straightforward, but a multifaceted and complex process, countries are eager to compare their methodologies, their results and their policies in order to learn from each others' experiences. The Organisation for Economic Co-operation and Development (OECD) therefore conducted a pilot project to measure and compare administrative burdens across countries, called the Red Tape Assessment (RTA). It was based on a marginally adapted version of the well-known Standard Cost Model (SCM). A comprehensive manual (RTA Manual) to guide countries in doing the measurements in this comparative project had been prepared in 2005 (OECD, 2005c). Thirteen countries volunteered to participate in the pilot measurement, whereof eleven countries completed national measurements (by February 2007). An interim report of the initial results was presented to the OECD Working Party on Regulatory Reform in September 2006 (OECD, 2006a; OECD, 2006b). A draft version of the final report was finished in February 2007 (OECD, 2007b).

Apart from analysing the measurements one of the objectives of the pilot study was to develop a sound methodology to measure and compare administrative burdens across OECD countries. Based on the measurements done by countries so far and the reported results a number of methodological questions have been raised, which need further discussion and elaboration in order to strengthen and facilitate future measurements, analysis and lesson drawing for regulatory policies. Some of the critical issues raised by the participating countries concern the organisation and the objectives of the RTA project. This paper is a first step to evaluate and improve the current approach in these areas, based on papers about the original intentions of the project, the preliminary results and on the feedback received by the participants. Its main empirical base are the documents provided by the OECD Secretariat (OECD, 2005a; OECD, 2005b; OECD, 2005c; OECD, 2006a; OECD, 2006b; OECD, 2007a; OECD, 2007b). Furthermore some existing international comparative studies in the field of SCM were taken into consideration (Ramboell *et al.,* 2006a; Ramboell *et al.,* 2006b; Ministry of Finance, the Netherlands, *et al.,* 2005a; Ministry of Finance, the Netherlands *et al.*, 2005b).

Theoretical perspective

This paper looks at the objectives and the organisation of the RTA project, and therefore concentrates on the planning and the implementation of the project. It uses an organisational – and within that, a neo-institutional – theory perspective. The concepts and explanations developed within these perspectives are used here in order to gain a better understanding of the process so far and the problems which have occurred. In order to indicate which problems and explanations are highlighted by this approach some of the core assumptions underlying the analysis shall be briefly explicated:

Decision making and implementation processes are not analysed from a normative, top-down, prescriptive perspective (how decisions ought to be made), but from an empirical, bottom-up and descriptive view (how decisions have been made until now). At the same time it is assumed that participants (and their supervisors) in the project act rational, but under the severe limitations of bounded rationality, *i.e.* their resources concerning information, knowledge, time, and money are heavily restricted and these restrictions cannot be easily overcome. Actors are therefore assumed to be interested in solutions and practices which are "good enough", not necessarily in more sophisticated technical ambitious and comprehensive propositions, which again implies that timeliness, robustness and visibility of results tend to be more important than methodological rigour and precision. At the same time participants in the project, *i.e.* national RTA partners, collaborating authorities, but also consultants, stakeholders and even the OECD Secretariat (as well as outside experts) have their own interests and agendas (agenda setting, budget maximisation, bureau shaping, etc.). Furthermore it is assumed, that the diffusion of new and innovative organisational forms and instruments, like the SCM, cannot be sufficiently explained by its unambiguous success (for that the method is much too new), but better by processes of so called isomorphism. In processes of isomorphism in the public sector the element of legitimising actions under the conditions of insufficient resources, information and knowledge becomes of great importance ("the importance of being modern"). Finally, regulations and organisations have to be understood in a broader institutional context, according to which institutions do not only consist of a regulative pillar, but also of cognitive and normative assumptions which are much more difficult to establish and change than mere regulations or organisational arrangements. Regulation and compliance are therefore highly contextual or cultural bound concepts (it is for example well known through empirical data about the implementation of EU regulations that compliance to EU regulation is highest in the Scandinavian countries, lower amongst others in Germany and France and lowest in the Mediterranean countries). From all this follows a more sceptical approach to what has been called de-contextualised benchmarking and a preference for a broader concept of cross-national learning and lesson-drawing (Radaelli, 2004, p. 726ff).

Methodological questions

The methodological questions considered in this paper are:

- What are the main objectives of the RTA?
- What are the main challenges of an international comparative approach?
- Can these objectives be met through the decisions taken in the project?
- What are the main expectations of participants and stakeholders?
- Is the organisation of the project sufficient to obtain the main objectives?

Main objectives

The analysis of the organisation and implementation of the OECD Red Tape Assessment (RTA) and the commitment and ambition of its participants has to start with the original objectives of the project. It is necessary to find out whether these objectives have been unambiguous and realistic, whether they have changed in the course of the project, whether different participants may have had (more or less openly) different expectations and objectives, and whether these objectives have been fulfilled so far.

The objectives of the Red Tape Assessment (RTA) project were originally defined as follows (OECD, 2005a, p. 5):

- to develop a methodology to measure and compare administrative burdens across OECD countries;
- to carry out comparative surveys of selected administrative burdens in OECD countries;
- to analyse reasons for cross-country differences in administrative burdens with a view to providing policy-advice and identify best practices on burden reduction strategies; and
- if continued, the project should enable the establishment of time-series and further benchmarks for administrative burdens in OECD countries.

It was furthermore agreed that for the measurement round especially the first points were of interest.

It was stressed, that "findings of the project will help countries identify progress, strengths and weaknesses of burden reduction efforts, thereby contributing to the improvement of pro-competitive and user- and investor friendly regulatory frameworks". The expected output of the project was defined as:

"The project will produce a database with quantitative data on the characteristics and costs of selected administrative burdens in OECD countries, as well as an analytical report presenting results and comparing country practices. The project will provide participating countries with detailed comparative information about administrative burdens in OECD countries".

Concerning the appropriate methodology it was stressed that:

- "the methodology should facilitate the translation of burden measurements into burden reductions, *i.e.* identifying with some specificity the actual procedures and practices generating burdens" (OECD, 2005a, p. 6); and
- "assessments of burden reduction policies purely based on quantitative data are, however, not sufficient. It is important that the project and its results are embedded in broader regulatory governance context, and that results are disseminated and discussed among peer experts" (OECD, 2005a, p. 6).

In the RTA manual (OECD, 2005c) the original four objectives were repeated with one minor change: the point "to carry out comparative surveys of selected administrative burdens" was changed into "to carry out benchmarks of selected administrative burdens". This seems to be a rather minor adjustment, even though it could indicate a slight shift from a more context-based "lesson drawing" approach to a more de-contextualised "benchmarking" approach. Also the "information obligations" were renamed in the manual (OECD, 2005c) "benchmarking indicators".

Finally it is important to note that it was agreed from the start that the measurement would primarily be a learning exercise for both the Secretariat and participating countries and should therefore be regarded as a pilot project which would build up expertise and knowledge (OECD, 2006b, p. 4).

When analysing and trying to understand these statements on the objectives of the project it seems that the project from the beginning carried a number of different, not necessarily contradictory but also un-identical objectives:

- One objective was obviously to improve the methodology of measuring administrative burdens. Experts in this area were frustrated by incomplete or incomparable data across OECD countries (OECD, 2005a) and their aim was a shared and consistently implemented methodology. This objective may be called the "technical" objective.
- Another objective was much more oriented towards the policy of burden reduction, *i.e.* the translation of burden measurements into burden reductions, towards improving the transparency and accountability of administrative regulations, and to help countries identify the main reasons for administrative burdens and strengths and weaknesses of burden reduction efforts. This objective may be called the "policy" objective.
- Furthermore, one objective was to see the whole undertaking as a learning process, characterised by a continuous dialogue and exchange of experiences and ideas, and the gradual reduction of ambiguities to take home inspiration and ideas of reducing administrative burdens.
- While another was much more oriented towards benchmarking, *i.e.* identifying best-practice as precisely and technically sophisticated as possible and offering clear and unambiguous advice to policy makers.

It seems obvious that these objectives may have differed from the start, both between the ambitions of different countries, for example those with more or less experiences in SCM, regulatory reform or different legal cultures, but also between different stakeholders, *i.e.* involved line ministries, central agencies interested in regulatory reform, consultants interested in measurements and external interest groups.

Again, with some simplifications, one might argue that following from this, actors had somehow different interests in the procedures and results of the measuring process:

- Some are mainly interested in learning about the methodology of SCM, especially those countries and actors which do not have prior experiences in this area (main focus: compare know-how).
- Some are interested in the different information obligations in different countries, *i.e.* to compare obligations contained in different legislation (and different levels of regulation), finding out which ones are country specific in order to draw lessons for future regulations and burden reduction in these areas or perhaps to identify goldplating or different interpretations of EU law (main focus: compare regulation).
- Some are more interested in differences in data requirements and activities for identical information obligations, in order to identify appropriate administrative procedures and processes, *i.e.*, more or less smarter ways of gathering the data (like e-government) which help firms to comply with information obligations (main focus: compare handling).
- While others are more interested in the complex technicalities of the measuring process and the identification of costs, *i.e.* how to obtain valid and reliable results with least effort, the use of interviews, segmentation, population, frequency, wage, etc. (main focus: compare cost).

Comparability

All this has severe implications for the comparative set up of the RTA project. The SCM method is intended to help identify costs which firms have to bear when they comply with legally defined information obligations and the overall burden for national economies. Thus the SCM method is constructed for measurements and results at the national level. International comparability as intended in the RTA project can only be obtained through specific methodological adjustments. For example, the population of affected firms, their segmentation and the tariff and wages of employees may differ greatly between countries, so that the mere comparison of overall costs could be more or less useless and misleading. Each SCM study involves many *ad hoc* decisions and a grey area of controversial and disputable assessments. These decisions influence and disturb the results of international comparisons, while they are much less critical for national measurements.

Comparability can be obtained in different ways:

- One way is to concentrate on identical information obligations and data requirements. In this way the time used by firms to comply with identical data requirements is measured and compared. The RTA project has pursued this direction: "The identical data requirements should be the data requirements coherent across countries in relation to the information obligation in question. Only the identical data are analysed in this chapter. This means that only the potential differences in identical requirements are identified" (OECD, 2006a, p. 7). In this way, countries can learn about more or less smarter ways of gathering data (like in the Scandinavian countries). Also here the only sensible currency of comparison is time, because if overall costs are compared there is a strong possibility that differences in productivity and wages, segmentation, etc., are much more significant to explain national differences than methods of gathering and processing data.
- Another way is to include national differences in information obligations. Here the questions asked are which data requirements are country specific, which countries' regulation add specific information requirements, whether there are overlapping regulations, *e.g.* over-regulation through several certifications for one licence, especially detailed information obligations, etc. It is exactly these questions, which are of main interest for policy makers and external stakeholders, and exactly these items have been mentioned several times as particularly important and relevant in the country answers to the interim report. Also here the currency of comparison would be time, but for policy makers and lesson drawing also the identification of which regulations and their induced information obligations, data requirements and activities are the most burdensome and why, is of the utmost interest.

The analysis of time consumption for identical data requirements can give indices for simplification measures in procedures and activities, but it does not indicate how high the total time consumption is and therefore it also does not provide useful information about ideas and priorities in simplification efforts for regulation. Only the analysis of both identical and additional data requirements gives an adequate picture of reality. Because RTA looks at events, if one is interested in the administrative burden for a specific event, one has to sum up all burdens for each data requirement; only then it is possible to estimate how high the total burdens for businesses are for different events in each country, where the "cost drivers" are and how to tackle them.

Also here time seems to be the sufficient currency of comparison, which is also acknowledged in the interim report: "[…] the analysis focuses on the time consumption on business level, because time is a standardised factor in itself and therefore should give a more stable starting point for comparisons" (OECD, 2006a, p. 10). The main benefit of using "time" as comparison criterion is the avoidance of all challenges concerning different wage levels and a comparable definition of "population"; the analysis becomes less complex. One of the challenges of using "time" as main criteria for the comparison is illustrated when looking at the information obligation "applying for a national permit": it was originally not included in the comparison whether an application can be used only for one vehicle or for several vehicles; this difference has a big impact on the total administrative burdens but is not visible in the comparison of time consumption in the Interim Report (p. 13), here regulation and causality is again the main factor. Another disadvantage of using "time" is that necessary acquisitions (monetary value) and overheads cannot be included.

When looking at the diverse problems occurred during the different phases of the project (inconsistent demarcation, different breakdowns of information obligations, segmentation, population figures, wage levels, access to interviews, normally efficient business, full *vs*. partial compliance, etc.), again, with sufficient simplification, two different strategies can be distinguished:

- One aims at a more sophisticated methodological and organisational approach, trying to solve these difficulties for example through a more detailed manual, more resources for interviews and consultants, stronger hierarchical and central steering of the project, identical organisation in all countries, use of only one consultancy firm, establishing definite and detailed benchmarks and best practices, etc.
- Another aims at a less complex, more robust methodological and organisational approach, striving for reduced ambitions, concentrating on fewer and more salient indicators, trying to identify major potentials for administrative burden reduction and on overall and country-specific lesson drawing.

In order to come up with suggestions for the further development of the SCM project, the main problems in the ambitions and the organisational set up until now have to be clarified.

Organisational arrangements

When reading the interim report, it is not quite clear how the organisational arrangements of the RTA project worked out in detail and to find out, what the main role of the different actors were, whether they performed their role, how much communication between the steering committee, participating countries and Secretariat has taken place during the project, and especially when and where problems occurred.

Looking at the main actors involved, the following findings seem accurate:

- The Steering Committee had the task of overall project guidance, being the clearinghouse for methodological questions, and monitoring progress. Members were participating countries, representatives from the Business and Industry Advisory Committee to the OECD and from the Trade Union Advisory Committee to the OECD. It is not clear from the material how often the Steering Committee met, but it seems that there were only three or four meetings between the Start up meeting (17/11/2005) and a technical meeting on the data submitted (30/06/06). Also only some of the countries involved in the project took part in these meetings (for example only slightly more than

half of the participating countries took part in the Start up meeting). There are some doubts whether these few meetings and participants are sufficient to fulfil the "clearing house" function because difficult decisions about methodological questions had to be made during the whole project. Even though it is stated that the steering group was involved several times in the project via consultation (OECD, 2006b, p. 5), there are some doubts whether the overall Steering Committee, because of its rather broad and diverse membership, is the right institution to fulfil the role of a day-to-day clearinghouse for an ambitious methodological project like RTA.

- The main actor of the project was the OECD Secretariat charged with the on-going administration of the project, propose general time tables and deliveries, drafting the manual, supporting the steering group, monitoring the progress in data collection, analysing and representing the results of the study, and being the first point of contact for all kinds of problems (manual, p. 40). This is a rather comprehensive task description, which the Secretariat seems to have met in a quite exceptional way. But these rather broad and comprehensive tasks beg the question whether the Secretariat was sufficiently staffed and funded.
- As far as can be seen from the documents the main actors from the participating countries (and the corresponding national organisations of the project) differed significantly in composition, standing and background and therefore probably also in knowledge, resources and commitment. In some countries, line-ministries seemed to be in charge, in others agencies or units responsible for regulatory policy and burden reduction. In some cases the contact person was changed during the project; sometimes even the task of co-ordinating the project at national level was delegated to consultants. There did not seem to be a clear overall understanding and aim as to where the main national actors should be located.
- Concerning other actors and stakeholders:
  - ❖ Other ministries and other authorities were involved in most countries, but their role in the implementation of the project remains unclear.
  - ❖ Stakeholders, *i.e.* business organisations were involved in most countries.
  - ❖ In most cases the measurements were carried out by consultants: the majority of the 13 countries had chosen to involve consultants in the measurements for the RTA project, 1 country, however, had a unit in the ministry specialised in doing interviews in the road freight sector.

The impression is that for a project as complex and demanding as the RTA, the project has been somewhat under-organised and under-institutionalised. The original manual defined three (with the start up four) phases of the project, but due to the complexities of the project, phases did overlap, it was not quite clear when they did end, and certain decisions and actions had to be taken much later and in later phases than originally planned. These developments are to be expected in a complex comparative project like this. There have been adjustments of the original phases and work plans, but not in the original set-up.

Consultations about methodological questions have been carried out throughout the project and there have been continuous efforts to harmonise definitions and demarcations. But due to the challenges that have arisen in comparing the data and because of methodological differences between the measurements in different countries,

it is likely that there was still not enough communication and adjustment between Secretariat and participants about methodological questions. It seems obvious that:

- To ensure comparability, consistent demarcations of the indicators are of the utmost importance.
- To reach consistency it is indispensable to use a lot of time for communication.
- A central institution therefore must be responsible for the structuring of methodological communication and for all the little methodological questions that occur in the process.
- The decisions must be communicated to all actors who carry out the measurements.
- A manual will never be able cover all kind of methodological details which are sector bound.
- Therefore, continuous communication about the application of the method is essential and has to be organised in an effective way.

These issues have clearly been seen by the Secretariat and are mentioned in the interim report: "Since the method involves a very detailed approach to legislation, certain '*ad hoc*' decisions during the process might or cannot be directly reflected in the numbers. In general it is important that decisions taken in the course of the process are transmitted to the relevant persons, as these might be needed to standardise and understand the figures rightly in terms of comparison. At the same time, both complexity and layers in the organisational set-up can make this a challenging issue, which might impact on the final result" (Interim Report, Annex 1, p. 5).

Already in the first document it was stressed that ensuring comparability requires strong co-ordination (OECD, 2005a, p. 4), and also the interim report underlines the importance of qualitative data, especially if governments want to use the results for national simplification and burden reduction efforts (OECD, 2006a, p. 27). But if this is true, the organisation and institutionalisation of the project, the resources and authority invested both at the national and international levels are more important than the technical details of data gathering and interviews. To put this argument rather simplistic: perhaps there should be more concern in the project about the "standardisation", *i.e.* the strengthening, adjustment, coherence, and commitment of participating actors and their understanding of the project, than about the standardisation, accuracy, and adjustment of measurement and reporting sheets. Standardisation seems to be more a problem of organisation and mutual learning than of manuals and measurement instruments.

Recommendations and conclusion

"The administrative cost topic is not an exact science consisting of only figures. The qualitative and interpretative aspects play a main role, though hamper easy comparability. Extensive discussions about the qualitative and interpretative aspects remain essential in order to clear situations, to work towards comparable outcomes and to identify potential for regulatory improvement" (Ministry of Finance, the Netherlands *et al.,* 2005a, p. 22).

Following from the analysis of the different objectives of the RTA project and its organisational set up so far, as well as from the underlying theoretical assumptions, a number of preliminary suggestions and recommendations can be made. These do not so much concern the RTA methodology in a more narrow sense (defining parameters and

measurement techniques), but in accordance with the scope of this paper the organisational and institutional underpinnings of the international comparison:

- For national governments the policy objectives of the RTA project (reducing administrative burdens) are of greater importance than the measurement objectives (higher accuracy in the data). As has been mentioned several times by several actors: Making cross-country comparisons should add an extra dimension to the national efforts to reduce administrative burdens. Therefore, the measurements should justify the benefits and come up with useful results for policy makers. Or, to paraphrase the recent OECD policy brief: There is a risk that measurement will divert energies from other, sometimes more fundamental activities and reforms which yield greater economic and social benefits (OECD, 2007a, p. 7).
- As has been observed before, there is a trade-off between inter-administrative and international learning, co-operation and network building on the one hand, and precision of measuring instruments, on the other: "The risk of ignoring this trade-off is to design 'technically perfect' [...] systems that disintegrate when they hit the road of implementation" (Radaelli, 2004, p. 739). Resources are obviously limited, and they should therefore be applied where they are most useful for policy makers.
- The analysis by the Secretariat stresses that by looking at the practical implementation of the national legislation on businesses detailed information on how legislation is handled across countries should be obtained, and that this is a way to understand what parts are the most time consuming and complicated (OECD, 2007b, p. 5). This is, of course, a very relevant part of the analysis. But it should be noted that several answers from the participating countries stress the specific interest in the question of which countries' regulation adds specific information and data requirements. Which data requirements are country specific is a particularly interesting and relevant question for policy makers, because these problems can be tackled at the level of legislation and regulation. The analysis of the data should therefore not be confined to the different handling of common or identical information obligations, but should include the differences in legislation which, it seems, quite often influence the levels of burdens much more significantly. The identification, interpretation, and explanation of additional or different data requirements are therefore highly relevant for policy makers and should form an important part of the analysis.
- In the draft comparative analysis on indicators in the RTA pilot project (OECD, 2007b) less than half of the original information obligations selected (8 of 17) could be compared. The reasons given for the exclusion of originally selected indicators centre not so much around problems of measurement (which could be solved by more or better interviews) but more on problems of defining and identifying indicators and the relevance of indicators for the framework of the analysis, which seems to be more a problem of communication and common understanding. Sometimes the selected indicator fell outside the target group of the pilot study, sometimes the target group seemed to vary, sometimes the indicator would be measured in an interim period, sometimes the size of the relevant segment and the time needed to gain more detailed information were not in a sensible relation.
- On the other hand, the comparisons which have been carried through give a number of very interesting hints and ideas about how and why time consumption differs, what processes and procedures explain the variation of the time use by business across

countries, what procedures define good practice, and what countries could do to reduce their burden. Again, these very valuable and instructive information do not seem to depend so much on the measurement and the interviews, but much more on the interpretation of the data, which again depends on additional qualitative information. Information on causality seems to be much more important and interesting than precise measurement of differences.

- These two observations indicate that useful comparisons depend more on a forum for learning from different, context-sensitive national experiences than on measurement techniques. In other words, more resources should be used for communication and co-ordination of relevant actors, rather than for more or more detailed interviews and/or more consultants. More and better understanding and explanations of the regulatory area seems to be more important than more measurement and quantitative data on businesses or the aggregate societal level. The challenges of the project do not so much concern identically organised measurements, but a coherent understanding of the relevance of specific regulations, indicators, data and processes. In practical terms this implies a strengthening of the co-ordinating infrastructure of the project.
- The first important prerequisite for better co-ordination and co-operation is a much stronger involvement of national actors. This in turn can only be achieved if national actors are convinced that they can use the results and findings of the project for their own national and policy objectives, and that these findings will be timely and robust. Better input from national actors therefore depends strongly on their expectations of relevant output from the project. This again implies that the relevant national actors responsible for regulation and implementation of the sector under investigation need to get continuously involved in the project. The project will not succeed if it is disconnected from the national specialists in the field, perhaps even seen by them as some kind of extravagant playground for methodology freaks and research tourists.
- The strengthening of the co-ordinating infrastructure of the project can only use very much the same overall structure which has been established in the original project:
  - ❖ At the national level sector specialists (from the competent and responsible line ministries and agencies) need to be involved and in charge in each country. Only these specialists have the sufficient knowledge and experience to understand which indicators, data, and activities are relevant and deserve comparative analysis, and which are either too complicated or too irrelevant to merit further attention. They are able to compare their country's regulations and processes with other countries' and identify areas of commonality and difference. They are also the only ones who can understand the concerns of their peers and colleagues in other countries and who can decide when data and results are "good enough".
  - ❖ For each participating country it is furthermore absolutely necessary to involve stakeholders. Only through stakeholder involvement can co-operation of the business community be assured and resistance to interviewing overcome. In some countries business panels involvement in identifying compliance costs and burdens have been very important additions to interviews.
  - ❖ For each country the sector specialist should be joined together with a SCM-generalist (which could be a consultant). All decisions at national level should be taken jointly by these two experts, thus ensuring that both sector specific details and the general methodological concerns are taken care of. Finally, also the organisation of the national

projects (involvements of consultants and stakeholders, number and frequency of interviews, etc.) should be documented and made be available for all participants.

- ❖ The overall quality assurance has to be organised at the OECD level. Therefore the sector specialists should together with the OECD Secretariat form the responsible quality assurance group of the project. This group should meet regularly and should be responsible for all methodological and practical decisions within the project. Decisions should not only be made during the obviously still infrequent meetings, but through an ongoing Internet forum. All decisions need to be mandatory for all, once they have been agreed upon.
- ❖ This kind of consistency cannot be achieved by just using one consultancy firm for all measurements and all countries. One consultancy would overcome some problems of measurement and interviewing, but would at the same time not enhance the common understanding and learning processes by the national participants so important for the success of the project. The central co-ordination of the project cannot be delegated to a consultancy firm but is an important task of the national participants and the OECD and an important part of learning and "lesson drawing".
- ❖ The quality group should therefore also be responsible for drawing the most important policy recommendations from the data. Interpreting why certain countries are doing better than others is the most crucial part of the international learning exercise of lesson drawing. It seems reasonable to expect differences in regulation, data requirements and/or processes, which are obvious even though methodological problems of measurement remain. These "good enough" results, which can inspire national policy initiatives, should form a centre of attention of the quality group.
- ❖ The steering committee of the project on the other hand should be made up of representatives of the responsible national units and agencies for regulatory policy. The steering committee should only be involved in major decisions and should control the general direction of the project.

- The overall aim of the co-ordinating infrastructure should be to develop a coherent and continuous communication and a "good enough" methodology to identify interesting and relevant differences between countries and to come up with interesting and relevant explanations and recommendations. It should enable common learning processes in which participants can learn about what they want and what they eventually can achieve, *i.e.* both about common goals, methodologies, activities and results.

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Cutting Red Tape:
Comparing Administrative Burdens across Countries

PART II

Chapter 4

Validity on Some Issues Concerning the Red Tape Assessment Methodology[1]

The following is an academic paper prepared by Professor Nils Henrik Moerch von der Fehr on the validity of the Red Tape Assessment methodology. It examines of administrative costs and the methods of measurement, including the strengths and weaknesses. In particular, the degree to which the systemic sample bias of the Standard Cost Model methodology affect its interpretation when transposed to an entire industry sector and ways in which this may be ameliorated.

Foreword

This report has been prepared for the Organisation for Economic Co-operation and Development (OECD) as part of the Red Tape Assessment project (RTA) to measure and compare administrative burdens across countries.

I have been involved in similar work in various connections over the past 10-15 years. I was a member of the Norwegian Government Business Law Committee from 1997 to 2001. In 1998, I prepared a study on administrative burdens for the Confederation of Norwegian Business and Industry (NHO). In 2006, I undertook a study on the measurement of administrative costs for the Norwegian Ministry of Trade and Industry. Such engagements have provided useful insights into relevant issues but have of course not influenced the conclusions of the present report.

During the preparation of this report my contact at the OECD was Lydia Jørgensen. The work was discussed with members of OECD staff and other project participants at two meetings in Paris. While I am grateful for all comments received, and I have attempted to take them into account, the views expressed here are mine and do not necessarily reflect those of the OECD.

Introduction

The Organisation for Economic Co-operation and Development (OECD) is conducting the Red Tape Assessment project (RTA) to measure and compare administrative burdens across countries with a marginally adapted version of the Standard Cost Model, hereafter referred to as the RTA method (OECD, 2005a).[2] A manual to guide countries in doing RTA measurements has been prepared (OECD, 2005b). Thirteen countries have volunteered to participate in the pilot study, and ten of these have completed national measurements (by august 2006). An interim report with initial results was presented to the Working Party on Regulatory Management and Reform in September 2006 (OECD, 2005c) and a complete draft was sent out for consultation in March 2007 (OECD, 2007). One of the objectives of the pilot study is to further develop measurement methodology. Based on the measurements done by countries so far several methodological questions have been raised, which could benefit from further discussion and elaboration in order to strengthen and facilitate future measurements and analysis.

The objective of this study is to address some challenges of the RTA method, especially those concerning its validity. Validity refers to the ability of a method to accurately capture what one sets out to measure, in this case administrative burdens associated with information obligations arising from government regulation. Experience shows that the validity of an RTA-type method depends critically on the conduction of interviews and standardisation of data. Emphasis is therefore put on these issues, with the aim of evaluating and improving the current approach.

RTA participants were asked to deliver feedback on the RTA measurements and method after publication of the interim report. With respect to interviews and

standardisation of data, some of the main challenges have been summarised in the following bullet points:

- difficult to get businesses to participate/recruit;
- hard for businesses to give detailed information;
- data is difficult to standardise due to large differences in responses;
- responses are subjective;
- the number of interviews is not statistically valid and representative;
- there are too many activities which are not relevant or not transparent;
- segmentation is difficult;
- the normally efficient business can vary according to standard activities, which makes it problematic to sum up on business level; and
- data is only an estimate, which may or may not represent the true cost.

Based on this feedback, a number of questions concerning possible modifications of the method may be addressed, including:

- Should the number of interviews be enlarged?
- Is comparison possible without standardisation?
- Would more explicit and stringent procedures for recruitment, for conducting and for evaluating the interviews enhance data quality?

In order to answer these, as well as some other relevant questions, the report is organised as follows. The next section contains a brief review of fundamental principles, including some of the essential features and challenges of this type of methodology, as well as some of the lessons learned from previous studies. Based on the review of fundamental principles and general lessons, the subsequent section contains a more detailed discussion of the specific issues raised by RTA participants. The final section contains the main conclusions and recommendations.

Fundamental principles and general lessons

This section provides a short review of fundamental principles related to the definition and measurement of administrative costs. It is important to be clear about exactly what it is that one aims to measure, as well as the difficulties encountered when developing a method of measurement. We consequently start by briefly reviewing the concept of administrative costs before moving on to a discussion of methodological issues. The section also summarises some of the lessons learned from previous studies based on the same methodology. The discussion in this section is limited to fundamental principles; the next section is devoted to the more specific issues raised in the RTA project.

Administrative costs

Administrative costs are generally defined as the costs associated with finding, documenting, storing, making available and reporting information obligated by government regulations.

This definition involves delineation between information obligations on the one hand and content obligations on the other. Content obligations concern those actions or procedures that businesses have to undertake according to regulations, whereas information obligations concern requirements to produce and/or supply information about

these actions or procedures (as further discussed below, the line between the two sets of obligations is not always entirely clear). For example, while it is a content obligation that transportation businesses should undertake controls of vehicles at regular intervals, it is an information obligation that such controls should be documented and reported to the relevant government authority. Even though both content and information obligations may involve costs, only costs arising from information obligations fall under the definition of administrative costs.

The definition of administrative costs also excludes other types of costs associated with obligations following from laws and bylaws, such as transfers of money to the government or other parties (in the form of fees, taxes, premiums, etc.). Such costs are not a result of need for information and are therefore not considered as administrative costs.

Information obligations may be related to a paragraph in a law or bylaw that requires the business to produce or provide information. Often such obligations concern information that has to be supplied to a government authority. Examples of such information obligations are rules for bookkeeping and annual reports, applications for licenses and provision of information about accidents to the police. Information obligations may also concern information that has to be made available to third parties, such as pricing of products, information about content of products and safety instructions for employees. Whether an information obligation gives rise to an administrative cost is determined by whether the obligation is regulated by government, not whether the requested information has to be supplied to the government or some third party.

To be counted as an administrative cost, it is not decisive whether the business itself may decide if it is to be subjected to the information obligation or not. Although applying for a license may be voluntary, the associated information obligations should nevertheless be considered as giving rise to administrative costs.

Furthermore, an information obligation gives rise to an administrative cost even if a business would decide to produce the information also in the absence of the obligation, say for internal use. In practice, it will vary to what extent businesses produce information they are not required to, and therefore the information obligation is considered binding for all, also for those who would have produced the requisite information in any case.

Nevertheless, information obligations that follow from self-imposed controls are not counted as administrative costs. For example, when a business decides to introduce internal controls of vehicles – such as for wear and tear or security – this is not considered as involving administrative costs (although such controls would of course require the business to devote resources to the associated activities). However, if the government were to introduce such controls under some law or bylaw, they would indeed give rise to administrative costs.

Some types of administrative costs are incurred regularly, in the sense that tasks necessary to fulfil information obligations are repeated over time. This is the case, for example, for data used to calculate value added tax, which must typically be provided on a monthly or bi-monthly basis. The size of such administrative costs depends on the amount of information requested, as well as the frequency with which information must be reported.

Other types of administrative costs should be viewed as one-time expenses. This is the case, for example, of costs associated with registering the business for value added tax. In such cases, administrative costs are associated with business representatives informing

themselves of rules and regulations, contacting relevant government authorities and filling in application forms. One-time costs may also arise in connection with major changes in operations, introduction of new products or production technologies, accidents and movement of operations to different premises. The size of one-time costs depends, among other things, on the circumstances that trigger information obligations.

Changes in rules and regulations also trigger one-time costs. Such changes not only require that market participants inform themselves of the new rules, but also that they update computer programmes, adjust administrative routines and accommodate operations. Because such costs are typically of a considerable magnitude, regulatory reforms are costly. Although continuous adjustment of rules and regulations to accommodate changing circumstances and political preferences may be desirable in principle, taking account of administrative costs may imply that it is more efficient to allow some period to elapse between times at which regulations are changed.

Some administrative costs cannot be categorised as either repeated or one-time costs. This is the case, for example, of costs that arise due to errors caused by businesses themselves or by the government. They also include costs that arise from conflicts between businesses and government authorities, say over the exact interpretation of information obligations or whether or not an information obligation has been fulfilled. In such cases, administrative costs may become very large (both for businesses and the government), particularly if the conflict must be resolved in court. These types of costs to a large extent depend on the clarity and simplicity of regulations. Regulations that allow for subjective judgement, or that are unclear or difficult to interpret, will lead to many errors and conflicts and hence substantial administrative costs.

Often administrative costs may be traced back to a specific data requirement resulting from an information obligation set down in some government regulation; indeed, the method of measurement often presupposes such a connection, by defining information obligations, breaking them down into data requirements and measuring the administrative costs of satisfying each individual requirement. However, sometimes different elements of regulation interact, or businesses organise their work in such a way that activities cannot be linked to individual data requirements; in other words, administrative burdens may be both non-separable and cumulative. This problem may be particularly acute in the case of an RTA-type project, where measurements start from an economic event that may be subject to a range of different regulations; then it may be difficult to distribute the overall burden on the various regulatory elements.

To a considerable extent, administrative costs consist of the time used by business personnel to perform the activities or tasks required to satisfy information obligations. Costs should therefore be calculated on the basis of wages, including government taxes and social costs. There will also be outlays on various types of inputs, such as metering equipment, computer software and postage.

In addition to costs associated with internal activities, businesses may have to incur external costs. These typically include the hiring of accountants and consultants. Businesses may have to seek legal advice in cases of conflict with the government.

In addition to objective costs – which may be counted in euros and cents – government regulations may give rise to subjective costs, such as annoyance with what is perceived as unnecessary bureaucracy or "irritation costs". These burdens may be hard to quantify, but are nevertheless an important aspect of the quality of regulations, not least the willingness

to abide by the rules. If the purpose is to reduce overall costs of government regulations, one will have to consider such costs also.

Administrative costs may vary with the size of businesses and the scope of their operations. This is true, for example, of information obligations related to individual employees, transactions or products. To a large extent, however, administrative costs are fixed. The costs of registering a business, producing satisfactory accounts and providing data for value added tax are of similar magnitudes, independently of whether the business is large or small.

Fixed elements of administrative costs mean that information obligations fall harder on smaller businesses. For example, OECD has found that small businesses (with 1-19 employees) on average have five times as high administrative costs per employee as larger businesses (with 50-499 employees) (OECD, 2001). Therefore, government regulations involve a systematic competitive disadvantage for smaller businesses. A reduction in administrative costs will be of particular importance for such businesses.

Methods of measurement

If the purpose is to establish a basis for reducing administrative costs, the method must be designed such that measurements can throw light on:

- the size of administrative costs as such;
- the importance of individual information obligations; and
- the potential for costs reductions or efficiency improvements.

In the current context, an additional concern is the comparability of results across countries.[3] Below is a brief discussion of alternative methods of measurement that may throw light upon these aspects.

To some extent it is possible to derive information about administrative costs from existing statistics, such as accountancy data collected by national bureaus of statistics or data collected for tax purposes. With the application of econometric methods – for example comparing businesses that are subjected to a certain set of regulations to businesses that are not – one may be able to estimate the impact of regulations on businesses' costs.

Existing statistics are however not specifically designed to provide information on administrative costs. Even if, in principle, one may be able to produce coarse measures of the total costs of a given set of regulations – or perhaps a group of such sets – in practice it will not be possible to get very precise results; in particular, it will not be possible to detect the impact of individual information obligations. Such a method is also not particularly well suited to derive information about the potential for improving regulations.

To a certain degree the weakness of national statistics may be overcome by international comparisons, whereby one studies how differences in national rules and regulations affect the cost and competitiveness of businesses. In principle, such comparisons may provide insights into the potential for cost reductions, by comparing the costs of businesses subjected to different national regulations. In practice, however, it will be very difficult to isolate the impact of regulations from other differences between nations, including differences in definitions and registration of data. It will also not be possible to get much relevant information about the importance of individual regulatory elements with such methods.

To be able to produce a useful mapping of administrative costs – including the importance of individual regulatory elements and the potential for cost reductions – one has to design specific methods to measure these costs directly. In practice, this means that information must be collected at the business level.

Such methods are not without weaknesses. Firstly, direct measurements are costly to undertake. Secondly, it is difficult to isolate the importance of government regulations from other factors that affect business costs. Thirdly, it is a demanding task to evaluate how hypothetical changes in regulations may affect costs. There are also difficulties associated with aggregating information from the business level to the national or country level. However, with a suitable design of measurements these weaknesses may be brought sufficiently under control to make these methods useful.

Generally speaking, two types of direct methods have been used to map administrative costs. One of these is based on surveys among a large number of businesses. Questionnaires are typically sent by post, and businesses are requested to fill them in and return them by the same means (increasingly, respondents are given the opportunity to respond over the Internet). On the basis of business responses it is possible to establish figures that quantify the extent to which administrative costs differ between types of businesses, for example according to size or industry.

The survey method is relatively cheap to undertake. Also, if the response rate is sufficiently high, the likelihood of unsystematic bias is relatively modest; even if there are errors in individual answers, unsystematic errors will tend to even out across businesses. However, the method does not correct for systematic biases; for example, if there is a tendency that businesses overvalue administrative costs this tendency will feed through to final results.

It is a well-known problem with surveys that respondents may have difficulties understanding questions, because they are unaccustomed to thinking about the issue or problem about which they are asked to respond. Very few businesses has data available on the time spent on satisfying information obligations arising from laws and bylaws; nor do they have information about cost of time or other resources expended. Considerable work is required – including detailed investigation of routines and operations – in order to give precise answers to such questions. There are consequently reasons to believe that the quality of postal surveys will be relatively low.

The most important problem with such surveys, however, is that questions are typically not sufficiently detailed to allow for establishing a clear picture of the relationship between regulations and administrative costs. A mapping of how laws and bylaws affect business costs requires detailed information about the relationship between information obligations, data requirements and administrative activities or tasks. It is difficult to get a sufficiently high response rate if it takes a long time to fill in questionnaires. Therefore, in order to obtain detailed information one is obliged to limit the number of respondents.

The other type of direct method is based on interviews with a relatively small number of businesses. Each business is visited by an interview team and different representatives of the business are interviewed on the basis of a very detailed questionnaire; the questionnaire essentially consists of a data matrix, with information obligations/data requirements along one axis and business tasks/activities along the other. The interview aims to map the time and cost of those tasks that the business has to undertake in order to produce the information required by government regulations, by for each data

requirement measure the time and cost of every activity undertaken. The mapping therefore provides a basis for analysing the relationship between individual information obligations and businesses' administrative costs.

Interview methods produce much more detailed and in-depth information than survey methods. They also to a large extent solve the problem of systematic bias, because the interviewers have the opportunity to discuss and explain questions, thereby detecting possible errors or misunderstandings. However, since the number of participating businesses is small, there is a danger that results are not representative for the industry as a whole. The problem may be counteracted by a suitable choice of respondents, but these methods nevertheless do not provide the same safeguards against unsystematic biases as do the broader survey methods.

To sum up, the two types of methods have different strengths and weaknesses. If one wants detailed and in-depth information – that not only provides a basis for estimating administrative costs as such, but also makes it possible to throw light on the importance of different elements of regulations as well as the potential for cost reductions – it is difficult to see any real alternative to interviews. The choice of business sample is to a large extent a matter of costs, where the gain from a larger and more representative sample must be weighed against the cost of the time and resources needed to conduct interviews and analyse data.

Over the past 10-15 years work has been undertaken in a number of countries to develop an interview-based method specifically designed to map administrative costs. This work has resulted in the so-called "Standard Cost Model" or SCM method, sometimes also called "Activity Based Measurement of Administrative Costs". The purpose of the SCM method is – by interviews with practitioners in businesses and different types of experts – to establish the normal cost of the administrative tasks required to fulfil information obligations of a specific set of regulations. Alternatively, as in the current context (as pointed out above, the RTA method is a marginally adapted version of the SCM method) the purpose may be to establish the normal administrative cost associated with a specific economic event, such as hiring an employee or keeping a vehicle on the road for a certain period. In either case, the purpose is not to map the actual costs of individual businesses, nor to undertake a statistical estimation of the cost of an average or representative business, but rather to establish the cost of a business that performs the administrative tasks in a manner which is neither better nor worse than what may reasonably be expected. Thereby it is possible to identify general relationships that may be traced directly to government rules and regulations.

Use of the SCM method – and more specifically, the RTA method – provides very detailed information about the relationship between information obligations in laws and bylaws and the administrative costs of businesses. The method is therefore very well suited to measure administrative costs and the impact of individual information obligations. The method also provides a basis for calculating the potential for reducing administrative costs.

However, the SCM/RTA method also has certain weaknesses. To some extent these weaknesses may be counteracted by suitable design and use of the method. Nevertheless, it is important to keep these weaknesses in mind when interpreting and applying results.

Because the method is so time- and resource-consuming, it is typically necessary to limit the number of respondents (both businesses and experts). Even though the mapping

of individual businesses may be very accurate – because of the high degree of detail – there is a danger that the relatively small sample of businesses may not produce a representative picture of the industry as such. This problem may be reduced by taking as the starting point businesses that fulfil regulations completely; in other words, the space of variation is limited to behaviour that is not in conflict with the relevant regulations. In practice, the problem is tackled by segmentation and normalisation. Segmentation involves an attempt to group businesses according to how they are affected by regulations; normalisation is an attempt to correct for unusual or non-representative conditions or behaviour in individual businesses. Segmentation and normalisation is based on general information about businesses and is typically done with the help of various types of experts on the relevant regulations and businesses.

Notwithstanding the usefulness of such corrections, there are reasons to believe that the problem of systematic sample bias will be present to some extent. It is difficult to say how great this problem is in practice, but the fact that (once segmentation has been properly conducted) there is often relatively modest variation across businesses in these types of investigations, suggest that the problem may not be too serious. For example, there tends to be strong similarities between otherwise similar businesses with respect to the administrative tasks undertaken to satisfy information obligations. Nevertheless, it is probably advisable to interpret results relatively carefully. This is particularly true with regard to aggregate figures for an industry or the economy as a whole, and especially for comparisons across countries and over time. However, while aggregate numbers may lack somewhat in accuracy, the underlying structure of administrative costs may still be well captured.

Regarding the more qualitative aspects of results – which, at the end of the day, are perhaps most important for regulatory reform – the problem of bias is likely to be less important. The SCM/RTA method provide very detailed information about the relationship between information obligations and time spent on different administrative tasks. This information establishes a good basis from which to determine where the potential for cost reductions are the greatest and consequently where reforms should be introduced. Also, the method provides a basis for identifying best practices among businesses, which may be useful for teaching businesses how they may undertake administrative tasks in a better and more efficient manner.

Based on experience of previous studies that have made use of the SCM method, we end this section with a few general remarks on how to improve results.

Even though the mapping of relationships between information obligations and administrative costs is the main strength of the SCM/RTA method, it may be possible to achieve even better results in this regard. In many investigations effort has to a large extent been directed at measuring administrative costs only. In addition, businesses (and experts) may have been asked about reforms that might contribute to a reduction in administrative costs, but this part of investigations could often be improved. In particular, one should ask respondents to give (guess) estimates of the potential for efficiency improvements, as well as ask them about which efficiency measures respondents themselves would like propose. One should also ask specifically about non-economic costs associated with information obligations – sometimes termed "irritation costs" – which are often considered an equal, if not heavier, burden than the pure economic costs. Business representatives know how government regulations work in practice and one should take the opportunity when interviewing them to tap this useful source of information that may guide regulatory reform.

Furthermore, the analysis of data could also often be improved, to increase understanding of the relationship between information obligations and administrative costs, as well as the potential for improvements. Data should be organised in such a way as to make it possible to calculate the effect on administrative costs of changes in specific regulations, for example through an adjustment of an information obligation. Such analyses would provide insight into possible reductions of administrative costs, as well as the distribution of gains among different types of businesses. In order to undertake such analyses and to perform comparisons across regulations, countries and over time, data must be stored in a unified format. In the RTA project, it would seem that great care has been taken to ensure that this is the case.

The SCM/RTA method is very demanding on participants, both those undertaking the investigations and respondents. Preparations for and the actual conduction of interviews requires detailed knowledge of regulations as well as businesses' administrative routines. It is therefore crucial that those who undertake the practical work have the necessary qualifications. They also need to be given the time and resources required to conduct good interviews. The quality of results depends crucially on the willingness of the participating businesses to make personnel available for interviews.

This is another area where there is often room for improvement. There is reason to believe that there are considerable learning-by-doing effects associated with use of the RTA method, implying that investigating teams should cover more than one regulatory area, sector or, where relevant, country. Learning-by-doing effects may also be realised by involving the relevant government authorities directly in investigations. There may also be more to be gained from closer collaboration between those who undertake investigations and the government authorities responsible for designing and upholding regulations. A closer involvement would also provide the relevant authorities with more detailed knowledge about how businesses are actually affected by regulations. Such knowledge may be useful for planning and implementing regulatory reform.

Specific issues

On the basis of the fundamental principles and general lessons outlined in the previous section, this section provides a more detailed discussion of the concerns of RTA participants.[4]

Recruitment and participation

As pointed out above, the RTA method is extremely time-consuming. Participating businesses will have to involve a number of personnel at different levels of the organisation, and each of these will have to spend a fair amount of a working day in order to answer questions satisfactorily. It is no wonder that many businesses – even though they may in principle take a positive view on to this type of work – are hesitant about participating.

There is essentially no way of getting around the problem that the method requires businesses to spend considerable time on the interviews. However, there are ways to motivate businesses to participate and to reduce the perceived burden of participation.

By informing the relevant businesses about the exact nature and purpose of the work, one may succeed in making businesses more positive about participating. If businesses

understand why the project is undertaken, and that it may result in concrete benefits in the form of better regulation, they may be more inclined to accept an invitation to participate.

Informing, and indeed selecting businesses, could be done in cooperation with business organisations (*e.g.* chambers of commerce). Such organisations may not only take a more active interest in a project that aims at reducing regulatory burdens, but they may also have greater credibility and persuasive power than a government agency. A potential problem is that involving a business organisation will introduce biases in sample selection, for example by limiting participation to those businesses that are members of the organisation or (even worse) to those businesses that the organisation believes will provide the sort of answers that further the interests of the organisation. However, this may be a risk well worth taking (and could be counteracted by investigating the representativeness of participating businesses) given the expertise and help that business organisations are typically able to offer.

The perceived burden of participation may be reduced by good preparations. It is important to accurately inform businesses about the nature of interviews, which personnel needs to be interviewed and the types of questions asked. Such information will help businesses to be better prepared when the interview team arrives. It is also important that the interview teams themselves are well prepared, so that interviews may be conducted efficiently, without unnecessary waste of valuable time.

Even with such measures, recruiting businesses for interviews is likely to be a challenge. There is a danger that recruitment difficulties will affect the representativeness of the resulting sample. We have already alluded to the danger that the sample may become biased due to the involvement of business organisations. Perhaps a greater danger is that one simply has to accept whatever business is willing to participate. It is not unlikely that the willingness to participate is related to the level of administrative costs. For example, a business may accept an invitation to participate exactly because it finds government regulations particularly burdensome. Careful conduction of interviews may counteract tendencies to exaggerate administrative costs (the level of detail and concreteness in the RTA method is indeed such as to reduce this sort of problem), but one cannot be certain that the problem is completely eliminated. Also, recruitment may be easier in certain sectors of the industry, which are not necessarily representative for the industry as a whole.

Problems of sample selection may be counteracted in at least two ways. Firstly, general knowledge about the relevant industries and nature of the business will be helpful in detecting whether participating businesses are representative or not. It will be useful to involving various types of industry experts in this work.

Secondly, segmentation may reduce selection bias. The purpose of segmentation is to group businesses according to systematic differences in the nature and level of administrative costs. Such differences may arise because businesses are not subjected to the same set of regulations; for example, businesses in different areas of the transportation sector face different types of regulations. Differences in administrative costs may also arise due to differences in how administrative tasks are undertaken; for example, while some firms may be able to draw information directly from electronic databases (such as accounts) and submit information over the Internet, others may have to produce information manually and submit it by post.

Experience from the German RTA project nicely illustrates the sort of difficulties encountered.[5] In Germany, there is a very unequal spread of transport businesses. More than half the businesses have no more than five employees or three vehicles; the median business has four employees and three vehicles. However, the average employee will work for a business with about 20 vehicles. So with the median-type transport business, one will have to do interviews with the owner (or the wife of the owner) of a tiny organisation with four employees and three vehicles. Usually these small businesses are not organised in business federations and may be difficult to recruit for interviews like those required by the RTA project. In practice, one may therefore have to do interviews with larger businesses. However, the results from these businesses may well be significantly different from those one would obtain from the small businesses, one reason being that while in the larger businesses information obligations will be meet by designated administrative personnel, in the smaller businesses information obligation will be meet by the owner himself (or his wife) or by an external advisor (*e.g.* a tax advisor for the proof of the financial standing).

Clearly, in such cases, it is essential to segment businesses into different groups and conduct interviews with representative businesses from each group. If this turns out to be impossible, careful interpretation of results is required; in particular, results from a unique part of an industry cannot be taken as representative for the industry as a whole.

Sometimes, segmentation is done by business characteristics – such as turnover or the number of employees – that are not necessarily related to the nature or level of administrative costs. Of course, segmenting the sample in this way may be desirable because one has an interest in analysing how administrative costs vary between businesses of, say, different size. However, if the purpose is to improve the quality of results, segmentation needs to be done according to characteristics that are directly related to administrative costs; this could be business size, but sometimes it is not.

Segmentation cannot be done without detailed knowledge of the nature of both government regulations and the businesses that are subjected to these regulations. Segmentation should therefore be done with the help of experts on regulation, such as government agencies and industry experts.

A third way of counteracting selection bias is by normalisation, which will be discussed below.

Conduction of interviews

Conducting interviews according to the RTA method is challenging, both for the interviewers and the respondents. The purpose of the interviews is to map out in detail exactly which administrative activities are undertaken, how they are undertaken, who undertakes them and how much time they take. Achieving the purpose is difficult not only because one gets into such detail, but also because these activities may be hard to identify and disentangle from other tasks. Most likely, the relevant personnel are unaccustomed to thinking about administrative costs and the activities involved in the way prescribed by the RTA method.

Most important of all is that interviewers understand these problems and how to overcome them. It will be useful that interviewers have previous experience from similar type of work, but it in any case it is crucial that they get the necessary training. It must be remembered that the RTA method in important respects differ from other types of survey methods.

In order to produce satisfactory results, it is essential that those persons who actually perform the relevant administrative activities are interviewed. While personnel at the management level may provide useful information about the overall impact of government regulations, they are often not directly involved in the relevant administrative activities themselves. One must therefore make sure that the interviewers get the opportunity to talk to those who do the practical work, be they secretaries, accountants or other personnel.

To overcome the problem of identifying relevant activities – including disentangling these from other administrative tasks – interviewers must have a good understanding of the nature of administrative costs and the types of business in which the interview takes place. One has to approach the problem of identifying relevant activities from different angles, so as to be able to break down into the various activities what the respondent may in fact consider a single job.

Sometimes the breakdown of activities may seem irrelevant to respondents (and, alas, to the interviewers themselves). It may sometimes be true that some activities are indeed not relevant, in the sense that some businesses simply do not perform them (such as posting a letter, when information is instead transmitted electronically). However, often what may appear as irrelevance is instead an inability to separate different activities. For example, while it may be possible to provide an overall estimate (or guess) on how much time it takes to apply for a certain licence, it may be hard to tell exactly how much of this time is spent on getting the necessary papers, finding the relevant information, filling in the form and mailing the letter. It could be that the breakdown into activities has been made unnecessarily detailed and complicated (*i.e.* the data matrix has become too large); however, once activities have been decided upon, it is important that sufficient effort is put into producing reasonable numbers for each of these activities.

It is unavoidable that answers are, to some extent, subjective and uncertain. However, by carefully explaining and setting out the questions, by going through administrative routines in detail and by discussing answers with respondents, interviewers should be able to narrow down the margin of error. It requires considerable skill on the part of interviewers to help respondents to produce meaningful numbers on the time used to undertake different activities.

Standardisation

In the current project, standardisation concerns two different, but nevertheless related issues. On the one hand, standardisation concerns the way investigations are undertaken, such as definitions of administrative activities, the way interviews are conducted and design of reporting schemes. On the other hand, standardisation concerns the unit of measurement, *i.e.* the so-called "normally efficient business". Below we discuss these two types of standardisation in turn.

Standardising the way investigations are undertaken is not only desirable, but essential for cross-country comparisons.[6] Comparison would be extremely difficult, if not outright meaningless, if, say, the definition of administrative costs differed across countries. However, standardisation does not have to encompass all features of the study. For example, information obligations differ between countries, and even though it may be useful to try to define information obligations along similar lines, the breakdown will necessarily be different in different countries; in particular, it may be possible to define an

overall, standardised set of obligations in such a way that obligations in each and every country consists of a subset of the overall set. Furthermore, segmentation – in order to improve the accuracy of results – may well result in different categorisation of businesses across countries. Nevertheless, as far as possible one should try to make sure that the fundamental features of the method, as well as the way in which it is implemented, is standardised across countries.

As discussed above, the RTA method is not designed to measure actual administrative costs resulting from government regulation. Rather, it is an attempt to determine what administrative costs would have been, given that businesses fulfil their obligations as set out in laws and bylaws, and that they do so in a reasonably efficient manner. In order to construct such figures, one has to correct findings from business interviews for two types of biases: on the one hand, one has to correct for the possibility that businesses do not fulfil their obligations completely (or, indeed, that the over-fulfil them); on the other hand, one has to correct for the possibility that the interviewed businesses are either more or less efficient than would seem reasonable for a "normal" business.

Standardisation aims at producing figures for a "normally efficient business". The "normally efficient business" is of course a theoretical construct, which needs to be defined specifically in any given project. In doing so, one has to take into account the particular context, including business environment, technology, regulatory conditions and so on.

A specific issue that arises in a project where the main purpose is to make comparisons across countries is whether or not one should assume that the "normally efficient business" is one and the same in all countries. On the one hand, one could argue that there is no reason to believe that a "normally efficient business" looks the same in all OECD countries, given differences in conditions such as market structure, competition, technology and legal and regulatory environment. The problem with defining country-specific norms is of course that what appears as differences in administrative costs must to some extent be ascribed to different definitions of the "normally efficient business".

The alternative view is that one should aim for a common reference point across countries, by relying on the same definition of the "normally efficient business"; thereby one would be able to isolate differences in administrative costs. However, this approach is difficult to implement in practice, given that it will be very hard to provide such a clear definition of the "normally efficient business" that it can be applied without difficulty by the different country teams. In practice, therefore, one may have to accept country-specific definitions of the "normally efficient business". It is difficult to specify exactly how much bias will be introduced by differing definitions across countries without detailed knowledge about the particular regulations, industries and countries involved; however, awareness of such a bias will be necessary when interpreting results.

Standardisation requires skill and careful analysis. One cannot and should not base standardised values simply on sample means. Instead, starting from business results, one should attempt to correct for the extent to which businesses under- or over-fulfil information obligations, as well as any under- or over-performance in efficiency. To do so requires general knowledge about regulations as well as administrative routines.

The problem of standardisation will appear greater in cases in which there are large discrepancies in results from different businesses. In one way, this makes sense. When the numbers are fairly similar across businesses, one will tend to put greater reliance on the sample mean as a good predictor for the industry as a whole. However, this is not necessarily

true; in particular, although actual costs are the same, there may still be a systematic bias in the extent to which businesses actually fulfil information obligations. Therefore, even in cases in which results from interviews are consistent, one has to check carefully the extent to which businesses actually satisfy the relevant information obligations.

When results vary wildly between businesses, the problem will be to disentangle errors from inefficiencies. Large variations may result from insufficient segmentation, meaning that the group of participating businesses in a sense covers a number of different types of "normally efficient businesses" (*cf.* the German example cited above). The difficulty is then to construct an average of these different types. Another reason for large variations in results is that interviews have not been conducted sufficiently carefully. The problem is then to decide which of the interviews are more reliable.

A possible way of improving the quality of results would be to conduct more interviews. However, it is unlikely that going above a number of three to five businesses in any given segment will do much to improve quality. If the purpose were indeed to produce statistically significant estimates of population means, the number of participating businesses would have to be increased to quite a large number, something that would be impossible in practice, given the difficulties of recruitment and the cost of conducting interviews. However, the purpose is not to produce statistically significant estimates; rather the purpose is to gather sufficient information to be able to construct figures for the "normally efficient business". It is unlikely that increasing the number of firms will help much in this respect.

What would make standardisation easier is proper segmentation and well-conducted interviews. Segmentation aims at grouping businesses according to systematic differences in administrative costs, or, differences in "normal efficiency". True, it is not possible to go very far in segmentation – since this would blow up the number of businesses that must to be interviewed – but some segmentation, if undertaken carefully, will reduce variation considerably.

How to improve interviews has been discussed above, and here we only reiterate the importance of the quality of interview teams; subsequent analysis – including standardisation – can never completely substitute for good interviews. Indeed, it is hard to exaggerate the importance of conducting interviews well.

Conclusions and recommendations

The Standard Cost Model – on which the RTA method is based – is by now quite well developed and it does not seem likely that the problems encountered in the RTA project reflect a need for fundamental methodological changes. It seems more likely that the solution to these problems lies in improving the understanding of what this method can and what it cannot do, as well as better application of the method to the particular issue at hand.

The most obvious area for improvement is conduction of interviews. First and foremost this requires recruitment of experienced interviewers and training of these so that they are able to meet the specific challenges of the RTA method. Improving the RTA manual – by elaborating on the practical problems faced by interviewers and how they may be overcome – may be helpful in this respect.

Another area for improvement concerns the information gathered. Given the low cost of acquiring and reporting additional information, one should take the opportunity to register qualitative information on administrative procedures, irritation costs, scope for

simplification and so on. Such qualitative information will be very helpful, not only for analysis and interpretation of quantitative results, but also for understanding the impact of government regulation and designing adequate regulatory reforms.

Notes

1. This paper was prepared by Nils-Henrik Mørch von der Fehr, University of Oslo, March 2007.
2. For a comprehensive analysis of the experience with reducing administrative burdens in OECD countries, see OECD (2006b).
3. See Rambøll Management (2006) for a discussion of methodological issues arising in cross-country comparisons based on Standard Cost Model-type methods.
4. I have based my analysis on summaries of these concerns made available by the RTA Secretariat.
5. The information in this paragraph was provided by a representative of the German RTA project team.
6. For an example of a comparative study not based on standardisation, see Dutch Ministry of Finance (2005a); see also Bertelsmann Stiftung (2006). An example of a study in which standardisation was a serious concern is given in Dutch Ministry of Finance (2005b).

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Cutting Red Tape

Comparing Administrative Burdens across Countries

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Measurement, quantification and evidence-based policy making are becoming increasingly dominant features in the approach of many countries. By standardising the methodology for national measurements, comparisons can be made across countries. This facilitates the identification of good practices, which can be used in developing simplification strategies.

This report is published in English only. However, a French translation of the executive summary has been included in this volume.

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