

The Standard Cost Model

**A framework for defining and quantifying
administrative burdens for businesses**

August 2004

Preface

This booklet is a framework for determining the administrative burdens of businesses. It describes the framework for a quantitative methodology that can be applied in all countries.

The guide is based on practical experiences in the Netherlands, Denmark, Norway and Sweden and was compiled by an international working group on administrative burdens consisting of Denmark, Sweden, Norway, Belgium, the UK and the Netherlands.

The Standard Cost Model is not a static model – it will evolve and develop over time. This booklet will therefore be updated as new methodological developments appear. It is expected that the next development that will be included in the booklet is a chapter on how cross-country comparisons can be carried out.

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Further information on administrative burdens is also available at:
www.compliancecosts.com

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1 Introduction

A complaint frequently vented by the business community is that they spend too much time and energy on complying with government request for information. For businesses it is not always clear why these requests for information are made, why they are made so often or why they need to be repeated. They would prefer to spend their time and effort working for their businesses, rather than having to fulfil these 'Administrative Burdens' (AB)

In order to get to grips with AB and to ascertain the size of these burdens, it is necessary to (1) fully understand the concept of 'administrative burdens' and (2) become familiar with the method of calculating the size of the AB. This paper will provide you with a guideline in this respect. It has been compiled in three parts:

Part I: What are administrative burdens?

Part I provides a framework (chapter 2) which can be used to easily ascertain whether businesses are being faced with AB or not.

Part II: How do you measure AB? The standard cost model.

Part II is intended as a framework for the underlying method of calculating AB. Part II describes the model and defines the starting points used when applying the standard cost model.

Chapter 3 provides a background by outlining the administrative costs of issued regulations. Chapter 4 focuses on the construction and functioning of the model and defines the starting points for measuring the existing AB.

After having measured the stock of existing AB, it then becomes important to maintain the measurement, so that: (1) new and amended regulation is quantified and included in the overview of administrative burden and (2) relevant background variables are updated. Maintaining the base measurement is described in chapter 5.

Part III: How to identify the origin of administrative burdens

In order to achieve the best possible overview of the regulation – especially if the aim is to identify possible areas of rule simplification – it is essential to distinguish between the origins of regulation. Chapter 6 describes how regulation can be categorised according to its origin.

The guide also includes three appendixes. Appendix 1 answers some of the questions which are often raised concerning the Standard Cost Model. Appendix 2 gives examples of the most common types of information obligations and associated administrative activities. Appendix 3 answers some of the frequently asked questions concerning the 'decision tree' for determining the origin of information obligations.

Part I

What are administrative burdens?

2 Definition of administrative burdens (AB)

2.1 Introduction

What are the AB for businesses? It goes without saying that this should be clearly defined before applying a measuring instrument for quantifying the costs.

In order to safeguard its public interests, Governments require businesses and private individuals to carry out or avoid certain actions or conduct (*content obligations*). Governments also require the provision of information on actions and conduct (*information obligations*).

Example of the difference between content obligations and information obligations

Ensuring that staff have a window in their workplace is a *content obligation*; reporting this in an annual report on working conditions is an *information obligation*.

The above-mentioned obligations can involve costs. Only the costs ensuing from information obligations can result in AB. These leads to the following definition of administrative burdens:

Administrative burdens are the costs imposed on businesses, when complying with information obligations stemming from government regulation.

This chapter aims to find an easy way of determining which information obligations result in AB for businesses. To this end, the following paragraph sets out the key elements and the basic principles relevant to the definition of AB.

The cost aspect is looked into in more detail in chapter 3. This provides an introductory framework for part II of the guide, which focuses on actually measuring AB.

For convenience answers to a number of frequently asked questions have been included in *appendix 1*.

2.2 Which information obligations cause AB?

2.2.1 Step 1: What are information obligations?

Information obligations

An information obligation is a duty to procure or prepare information and subsequently make it available to either a public authority or a third party. It is an obligation businesses cannot decline without coming into conflict with the law. Each information obligation consists of a number of required pieces of data – or messages – that businesses have to report.

Please note. Information obligations to third parties, which do not involve a business providing information directly to a Government body, may also count as an AB. In order to safeguard public interests, government sometimes imposes that third parties (usually private individuals or consumers) should be fully informed with regard to the conduct of parties or the characteristic features of products.

Information obligations do not necessarily imply that enterprises have to send information to a public authority and/or a third party. Sometimes enterprises are required to keep information in stock so that it can be sent or presented upon request.

Examples of information obligations

To public authorities: Corporate tax returns, drawing up and registering annual accounts, applying for permits, general obligations to retain business records, provision of information on sick employees to working conditions services, annual statement of employee insurance to social security body, on site control of employee permits.

To third parties: the obligation of businesses to keep the works council informed, the obligation to supply a financial insert, the obligation of pension funds to provide information to participants, the obligation to supply information on goods labels, instructions for use on medicines and other goods, consignment notes during the transportation of goods, the obligation to provide an invoice for certain transactions.

Examples of messages:

Name, address, VAT registration number on forms, VAT payable etc.

Appendix 2 gives examples of the most common information obligations and the administrative activities associated with these.

2.2.2 Step 2: Regulation or not?

The basic premise for determining whether an information obligation causes AB, is the presence of Government-imposed regulation. It is not important whether or not the Government is also the 'receiving party' of the information obligation prescribed by law.

Government-imposed regulation is defined as:

Regulation

Generally binding regulation (Laws, acts, executive orders, Orders in Council, Ministerial regulations) and policy regulations.

Generally binding regulation can also be laid down in decisions made by de-centralised governmental authorities (e.g. municipal and provincial councils).

A policy regulation is a general regulation that has been laid down in writing by the Government for use by an administrative authority, other than a generally binding regulation.

Only information obligations stated in national regulation are measured. Direct working EU Regulations are not measured, as they are obligatory in all their elements and directly applicable in all Member States. EU Directives on the other hand, are included in the measurement, since they are implemented in the member states through their own regulation.

Government

All bodies that are principally controlled *and* financed by the Government itself. These include all Government institutions, even if they operate abroad, such as embassies.

Non-Government: Interest organisations, foreign embassies and branches of international institutions based in a country, such as OECD and the International Court of Law, are not considered to be part the Government and therefore do not cause AB.

Please note: Voluntariness

Voluntariness is not an issue when determining whether the costs of information should count in terms of AB or not. Whenever a business is confronted with costs for supplying information as a result of legislation or regulations, these costs are deemed to be AB. Measuring voluntary rules is necessary in order to subsequently identify possible areas of simplification.

Example

Although applying for a subsidy or a permit is certainly voluntary, if a business decides to apply for a subsidy or a permit, it is then legally compelled to supply information. The costs that businesses have when procuring the required information for the permit are therefore measured as administrative burdens.

Please note: Self-regulation

Businesses can also be confronted with information obligations in relation to self-regulation. In cases of this kind, there is no question of AB (the regulation was after all not imposed by the Government). However, if the Government should decide to prescribe this self-regulation by law, the business would then be confronted with AB.

Conclusion

AB are costs resulting from information obligations that are anchored in the above-mentioned definition of regulation.

2.2.3 Step 3: What is meant by businesses?

The aim of a SCM measurement is to quantify the administrative burdens of regulation upon businesses, in order to allow for subsequent legislative simplifications and administrative relief. It is therefore essential to have a clear and unambiguous definition of what a business is.

However, businesses can be defined in more than one way. For the benefit of inspiration, two variations are offered. Their main point of difference is on how to deal with companies owned by the public sector, and the definition of businesses will therefore have a direct consequence upon the number of laws that are to be measured, since some laws only regulate publicly owned businesses.

Two definitions of businesses:

Definition A:

The term businesses should be taken to mean every sector of the economy, with the exception of the public sections of public administration, Government services and compulsory social insurances, and education. However, the private sections of the above-mentioned exceptions *do* constitute businesses. The basic criterion is the question of whether the organisation covers its own costs. If it does, it is a business.

Definition B:

The term businesses should be taken to mean units, which produce goods or services for the market, and where one of the purposes of the business is to generate a profit for the owners. An additional criterion is that the unit is not owned wholly or partly by public authorities. This definition clearly omits the public sector, where goods and services are produced for the public, but where these are either provided free of charge or at a price which does not necessarily cover the costs. It also omits companies owned by the public sector. Most often such companies are organized as businesses, but are heavily regulated in order to satisfy some overall societal needs.

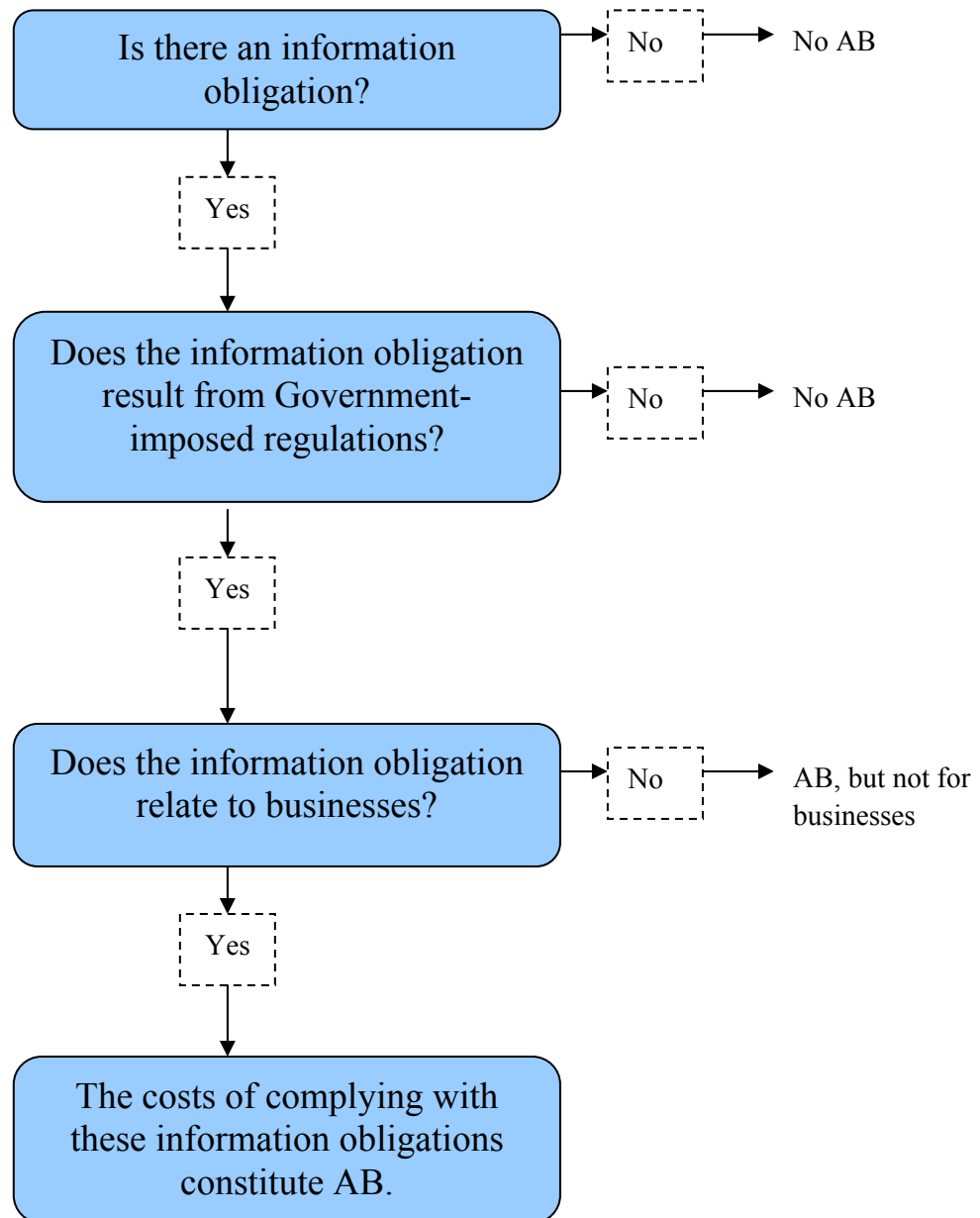
It also omits units, which solely organizes activities of a civil nature, i.e. sports clubs, unions etc. A common feature of such organisations is that their activities are not directed towards making a profit, but serve more altruistic purposes. It is important to omit such organisations, since they may at times be organized along the lines of businesses, i.e. with limited liability.

The applied definition of businesses is also important when making cross-country comparisons between different measurements. In order to make correct comparisons, it is important to be aware of where the measurements may differ slightly.

2.3 AB decision tree

The series of steps described above can also be represented in the decision tree shown below. This decision tree can be used to see quickly whether a business is facing AB or not.

Figure1: AB decision tree



Part II

***How do you measure
administrative burdens using
the standard cost model?***

3 Which costs relate to administrative burdens?

3.1 Introduction

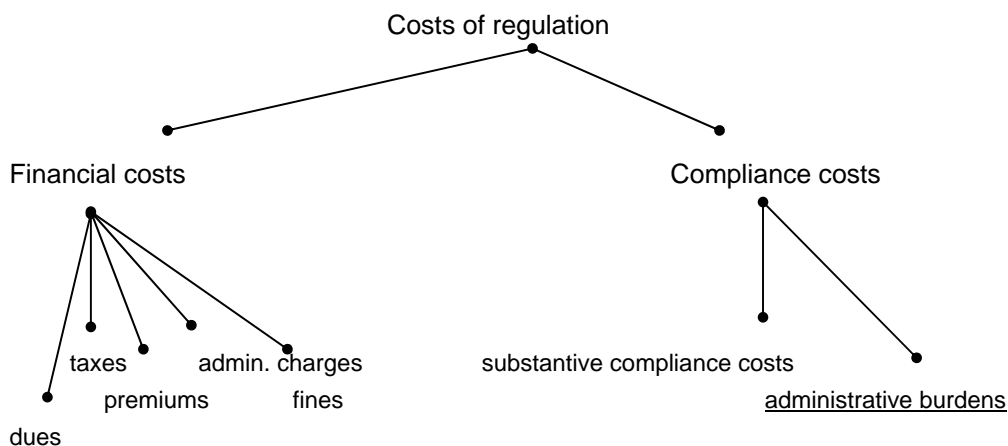
In order to be able to quantify administrative burdens (AB), we must first identify exactly which costs should be included when calculating AB. This chapter takes a closer look at this aspect. We shall begin with an overview of the various types of costs resulting from the regulations.

3.2 Costs of regulation

AB form part of the total costs of rules and regulations. This paragraph defines the boundaries in relation to other compliance costs and financial costs.

Businesses are confronted with numerous rules and regulations imposed by the Government or other authorities. Complying with regulation usually involves costs, which can be divided into various different categories. The figure below shows the costs incurred by businesses as a result of legislation and regulations.

Figure 2: Costs of rules and regulations



3.2.1 Financial costs

Financial costs are the result of a concrete and direct obligation to transfer a sum of money to the Government or the competent authority. These costs are therefore not related to a need for information on the part of the Government.

Example of financial costs

These costs include taxes, administrative charges, dues, etc. Administrative charges are a due, in other words a payment made to the Government in return for an individual demonstrable consideration (service). These are sums that a company is compelled to pay to the Government (or a competent authority) in return for using its services or products. This means that, according to the definition, administrative charges do not count as AB. An example of an administrative charge is the costs of applying for a building permit.

3.2.2 Compliance costs

Compliance costs are all the costs to businesses of complying with regulation, with the exception of the financial costs highlighted above. Compliance costs can be divided into 'substantive compliance costs' and 'administrative burdens'. Substantive compliance costs are the costs that businesses make in order to comply with the content obligations that legislation and regulations require of a production process or a product.

Examples of substantive compliance costs

The costs of: filters in accordance with environmental requirements, physical facilities in compliance with working conditions regulations, obtaining the specific professional knowledge necessary for a particular diploma.

The administrative burdens are those costs that businesses have, when they comply with the information obligations in regulation.

Examples of AB

The costs resulting from: making a report on the outcome of emission measurements, working conditions reports, being able to produce a certain diploma.

3.3 Administrative burdens (AB)

The paragraph above shows that AB are part of the total compliance costs. But which of these costs can be seen specifically as AB for businesses? Are these purely the additional costs or the integral costs? Which cost components go to make up AB? Does this only include monetary costs or should the costs of manpower and the so-called 'irritation costs' also be included? How should we approach the question of structural costs versus one-off costs? This section provides the answers to these questions:

- *Objective burdens*

The AB definition includes only a number of categories of costs that are sufficiently concrete and objective/measurable to be useful in terms of quantifying AB. When examining the size of AB, the matter of whether a business views specific information obligations as a burden in the subjective sense of being a nuisance ('irritation costs') is not important. What needs to be ascertained is whether the burden is an *objective* burden

in the sense of a 'cost item'. This does not mean that 'irritation burdens' are irrelevant. During the course of interviewing businesses, such 'irritation burdens' should be recorded, allowing for a subsequent decision as to whether they should be removed. Hence, an 'irritation burden' although objectively small in cost, may be of great nuisance to businesses and could conveniently be removed.

Examples of objective burdens

Labour costs, costs of contracting out and material and overhead costs (see chapter 4 for a more detailed explanation).

- *Just the costs, not the benefits*

When measuring regulation using the Standard Cost Model, it is the costs for businesses when complying with information obligations in regulation that should be measured. The benefits of the regulation in question are not considered. Hence, whether the benefits outweigh the costs of the regulation should be judged by policy-makers after the measurement has been carried.

- *... nor the income*

Any income that businesses may generate through the information obligation should be disregarded.

- *Lost turnover*

The definition of AB disqualifies lost turnover from being deemed an AB. Only costs that have actually been made in order to satisfy a statutory information obligation count as AB.

- *Reimbursement*

A statutory information obligation for which the business concerned receives cost-effective reimbursement from a Government body does not cause AB, since the costs of the administrative activities are nil, i.e. $p=0$.

- *One-off costs*

Substantial one-off costs that a business must invest in order to satisfy an information obligation, should be quantified and spread over the depreciation period. Negligible one-off costs need not be quantified, but it should be possible to obtain qualitative insight into them as a refund item.

- *Keeping abreast of existing legislation and regulations*

Costs resulting from trying to keep up with the frequently changing existing legislation and regulations are considered to be AB. The costs of keeping up-to-date with existing regulations for which no amendments are anticipated, do not count as AB.

- *Keeping abreast of new legislation and regulations*

The costs to a business of keeping up with new legislation and regulations are an administrative burden. These costs do not need to be quantified in advance, but it should be possible to obtain qualitative insight into them.

- *Full compliance*

AB are estimated on the assumption that legislation is complied with for 100%, despite the fact that in practice, not all businesses comply (fully) with all of the legislation.

- *Mixed functions*

A number of businesses register data for more purposes than just the obligations arising from legislation and regulations. The total costs of multi-purpose registrations should be allocated to the legislation or regulation concerned as an administrative burden.

- *Concurrence with other areas of legislation*

If there is an overlap between two areas of legislation (the same information is used by two different parties), the costs of the reporting are shared on a 50%-50% basis between the two legislative areas, unless the involved parties arrive at another solution on the basis of measurements.

4 The standard cost model

4.1 Introduction

Once it is clear exactly what AB are and which costs count as AB, the AB can be quantified. It is important that this takes place in a uniform and transparent manner. Therefore, a methodology has been developed: the standard cost model.

4.2 Why a standard cost model?

The standard cost model is a model designed to present the AB arising from regulation per Ministry and country over a certain period of time, in a way that provides insight and allows for comparison of the figures. The model makes it possible to:

On a national level

- Obtain detailed insight into the AB per law;
- Obtain insight into the starting points and basic data, thereby enabling the (effects of) reduction proposals to be properly quantified;
- Calculate the costs of alternatives to intended legislation and regulations, and their effects;
- Draw up fast, reliable reports (at law level) on the development of AB during the course of a period.

On an international level:

- Benchmark systems and regulation across countries and identify best practice.
- Benchmark how EU directives are being translated in national regulations in different member states.

Although the standard cost model is an instrument that makes many things possible, it is still a theoretical approach to reality. In other words, the quantified AB is only an approximation of the actual costs and it is sometimes impossible to avoid using assumptions. This guide therefore includes the starting points (see paragraph 4.4) used for calculating AB. Paragraph 4.3 first explains how the standard cost model is composed.

4.3 Composition of standard cost model

4.3.1 Basic structure

In as far as it is possible, the standard cost model is designed to fit the structure of the regulations. When starting a measurement, the regulation under examination is carefully mapped, in order to identify the inherent information obligations. In order to comply with

an information obligation (an obligation to obtain a permit, for instance) businesses have to procure the required pieces of data – or messages (company name and address, VAT-payable etc.) – that constitute the information obligation

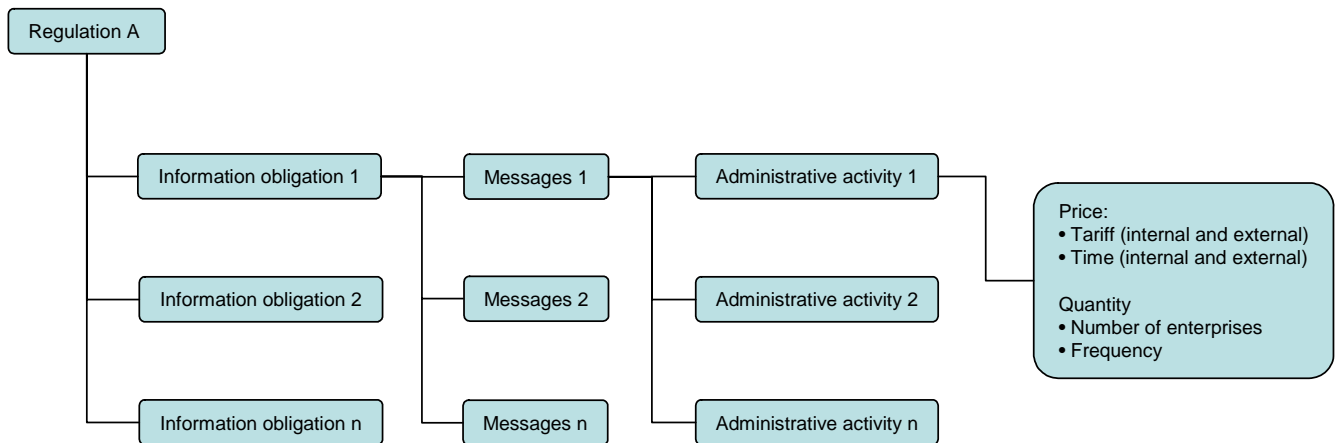
Each message has to be delivered by a certain amount of companies a certain amount of times each year - this constitutes **Q** in the SCM, i.e. the total number of times that the message is delivered per year. In order to be able to deliver these messages, businesses have to perform certain administrative activities.

Each activity takes a certain amount of time to perform, and therefore carries a cost to companies since they have to pay wages to those employees, who perform the task – this constitutes **P** in the SCM, i.e. the costs of an administrative activity.

Together P and Q add up to a certain cost for businesses when complying with each information obligation contained in the law under examination.

The relationship between the regulation under examination, the information obligations, messages, administrative activities and cost factors is illustrated on figure 1 below:

Figure 1: Relationship between the different components of the Standard Cost Model



17 examples of information obligations

Experience shows that information obligations involve similar activities. Based on these experiences, we believe that all information obligations can be classified within just 17 main categories. Appendix 2 shows these 17 categories of obligations.

Examples of administrative activities:

Receiving data, gathering the necessary information, filling in or entering the necessary information, carrying out calculations or evaluating, copying, printing the results of the calculations, sending data, filing data.

A basic assumption in the Standard Cost Method is that time and cost estimates are standardised for the normally efficient business. The standardisation gives a figure of the costs incurred by a normally efficient business within each segment, when living up to the information obligations of the law. A normally efficient business is a company within the target group, which handles its administrative tasks in a normal way. In other words the enterprise neither handles its tasks better nor worse than could be expected.

4.3.2 Components P and Q

The previous paragraph shows that when calculating the AB, P and Q are the most important components. The following paragraph explains the way in which P and Q are defined.

P: costs of an administrative action

The costs of an administrative action (P) are determined according to the following formula:

$$P = \text{Tariff} * \text{Time}$$

P is calculated on the basis of two variables:

- Tariff
- Time

Tariff

There are two types of tariffs: internal and external. The internal tariff is the hourly rate of the person(s) in the business who deals with the information obligation. The external tariff is the hourly rate of the person(s) outside the organisation who deal with the information obligation. This can include contracting out and the hourly rate of the accountant, for example. Tariffs can vary greatly per target group and the administrative activity.

The internal tariff is made up of the following components:

- *Gross wage*. This is the mean statistical wage of the employee who typically performs the administrative activity.

- *Wage costs.* These are the costs of holiday allowances, employer's insurance premiums and sometimes the 'thirteenth month' allowance.
- *Material and overhead costs.* Material costs are taken to mean the costs of all materials purchased in order to satisfy the administrative obligations. This can include the costs of accommodation, materials needed for a registration system, detailed drawings and the like. Overhead costs are all the costs associated with the use of office materials, depreciation of desks, computers, facilities for ancillary departments and such. Although the material and overhead costs are a relatively small cost item, they are very diverse and therefore difficult to calculate. In general and where relevant, these costs are estimated using a mark-up percentage on the internal tariff of the gross wage costs.

The external tariff is made up of:

- The costs of contracting out: costs of accountants, legal workers, service bureaus, administration offices and the like, which carry out administrative and procedural tasks to enable a business to comply with legislation and regulations. These costs are usually offset at a commercial rate (on the basis of wage costs). The actual costs are used, excluding the taxes and social insurance premiums due.

Time

The variable time should be taken to mean the time (in minutes or hours) that it takes a business to perform a certain activity.

Example of calculation for P

An entrepreneur, X, is obliged to draw up and publish an annual statement in accordance with a country's regulation. He makes use of the services of an accountant, who he hires in via an accountants' office. This accountant charges €200 per hour. It takes the accountant a total of 30 hours to draw up the annual statement. The entrepreneur must correlate and pass on the information that the accountant needs. This takes 2 hours at the rate of 70 euros per hour (let us assume that these tariffs and times are representative).

P is:

$$P_{\text{total}} = P_{\text{internal}} (\text{€}70 * 2) + P_{\text{external}} (\text{€}200 * 30) = \text{€}6,140$$

Q: Number of times that the message is delivered per year

The number of times that the message is delivered is determined by (1) the number of businesses to which the regulations apply, and (2) the frequency with which they have to deliver the message. So Q is calculated as follows:

$$Q = \text{Number of businesses} * \text{Frequency}$$

Two variables are used to calculate Q:

- Number of businesses
- Frequency

Number of businesses

This refers to the number of businesses to which the regulations apply. This means that when determining the AB, the target group of the regulations and the number of businesses involved will need to be ascertained.

Frequency

The frequency is the number of times that a business delivers a message per year.

Example of calculation for Q

The obligation to draw up an annual statement (see example for calculating P) does not only apply to entrepreneur X, but to all legal entities in the country. There are a total of 100,000 legal entities operating in the country. They are all obliged to draw up an annual statement once per year.

Q is therefore:

$$Q = 100,000 \text{ (number of businesses)} * 1 \text{ (frequency)} = 100,000$$

Total AB for complying with the obligation to draw up an annual statement:

$$\text{Total costs} = P (6,140) * Q (100,000) = \text{€} 61,400,000$$

Please note: In some cases it can be simpler to determine the number of delivered messages per year by referring to a register that records the number of businesses that have issued a notification or applied for a permit that year, etc. In cases of this kind, it is easier to extract Q from these registers instead of calculating the figure on the basis of the formula. It is important that the registers are complete. In this case the number of businesses is the same as 1, because the register is already based on the number of actions per year. In a situation like this, the calculation provides no insight into the AB per business. This information can be obtained, if required, by dividing the calculated AB by the number of businesses targeted by the regulation.

Example for determining Q on the basis of a register

Garages carrying out MOT tests in the Netherlands are obliged to notify a Government body of every MOT certificate issued. This Government body registers the notification and keeps a register stating exactly how many notifications have been received from all the garages together. In this case, Q can be easily determined by making use of the information filed by the Government body.

4.4 Starting points for the standard cost model

A uniform method of calculation ensures that measurements can be compared with each other. This paragraph contains the starting points used for calculating AB. These can be divided into three categories:

- Starting points for filling in components P and Q;
- Starting points for the investigation;
- Starting points for reporting.

Starting points for calculating components P and Q

When calculating the components P and Q, four variables need to be filled in: (1) Tariff, (2) Time, (3) Number of businesses and (4) Frequency. The following starting points apply:

Tariff

- During interviews, businesses should be asked about what kind of employee would typically perform the administrative task under examination. Based on this, it is subsequently decided, what kind of employee solves the administrative activity in the normally efficient business. The wage for this kind of employee is determined based on wage statistics. It is important to be aware of whether this statistically derived wage is the gross wage or whether it also includes wage costs – wage costs should always be included. Subsequently the overhead is added.
- The external tariff comprises the commercial hourly rate.

Time

- Sources from which the time can be ascertained are: (1) interviews with businesses, and (2) the stopwatch-method¹. By far the best method for ascertaining the time (that it takes to comply with an information obligation) is by means of interviews with the businesses. The stopwatch-method is very time-consuming.

Number of businesses

- Sources for ascertaining the number of businesses within a target group are: (1) the law or regulation, (2) a register kept by a Government body and (3) a survey. The best way of ascertaining this information is by means of the law or regulation in question. If this does not provide a definite answer, the Government body register is the second best method.

¹ This involves actually timing the actions being performed either on location or in a laboratory situation.

Frequency

- Sources from which frequency can be ascertained are: (1) the law or regulation, (2) a register kept by a Government body and (3) or a survey. If possible, the law or regulation in question should be used for ascertaining the time that it takes to comply with an information obligation. If this does not provide a definite answer, the Government body register is the second best method.

Starting points for the investigation

- *Objective measurement*
When making measurements, subjective insight on the part of employers or implementing bodies should be avoided as much as possible. The aim is to arrive at an objective calculation that will not only be acceptable to both those causing the burden and the business concerned, but which will also have the support of both parties. This involves detailed information that is necessary to comply with the administrative obligations. The measurement is based on the hardest facts possible.
- *Representativeness of the results*
For a quantitative analysis, the results of the individual interviews need to be translated into figures that are representative of the normally efficient business. This means that it is important ensure that interviews take place with typical companies within the target group. An interview is deemed satisfactory if the business being interviewed is comparable with the other businesses in the target group. The figure below is a diagram of the steps (1 to 5) that should be taken in order to safeguard the representativeness of the results obtained from the interviews.

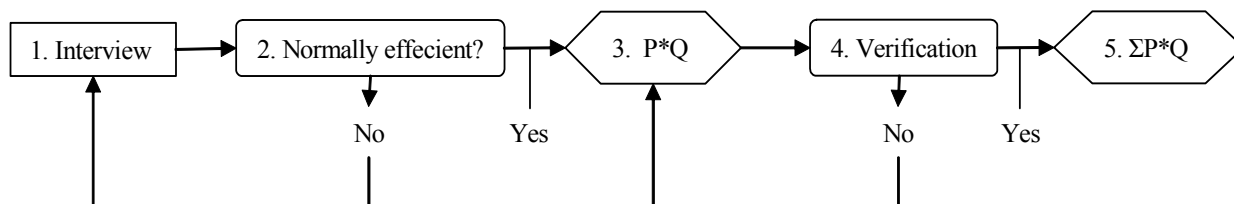
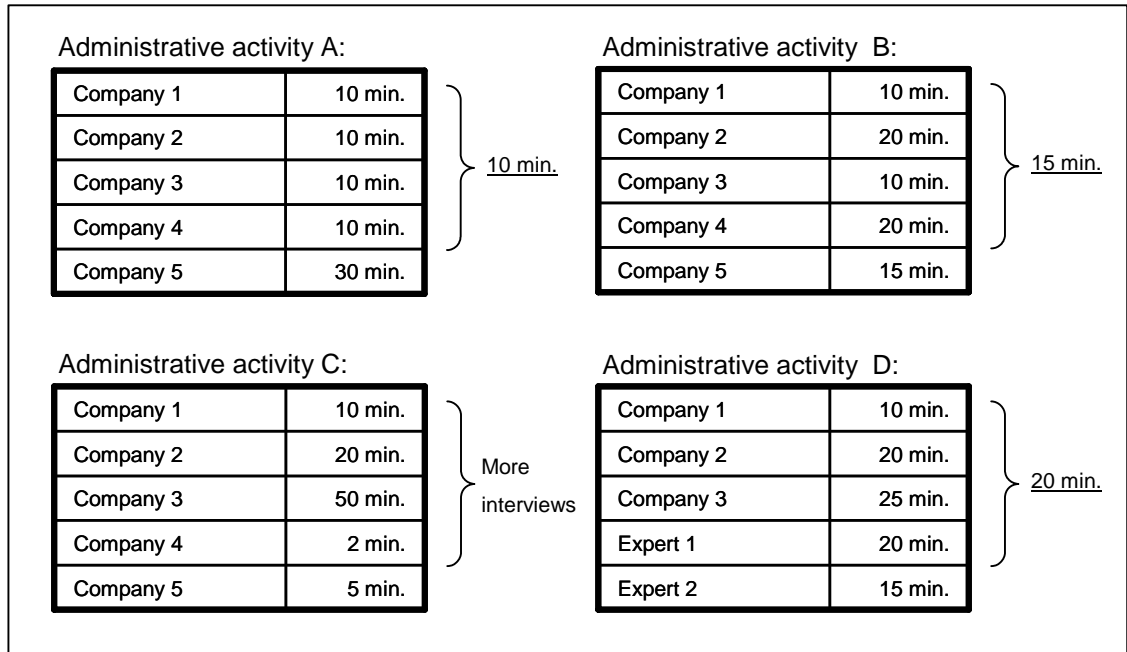


Figure 3: Diagram for assessing interviews

During steps 1 and 2, the information on the AB is gathered by conducting interviews. The number of interviews needed depends upon the number of segments that the regulation in question has been divided into. This should also be validated by external experts in order to ensure that the information gained through the interviews will be reliable and valid, so that the subsequent standardisation can be carried out.

In order to determine whether a business is normally efficient, its responses should be judged relative to the other businesses in the target group. This process is illustrated in the figure below:



As the figure illustrates, Company 5 in the administrative activity A is not normally efficient. It should therefore be omitted. As for the administrative activity C, this illustrates a case, where more interviews are needed.

Step 3 involves determining the administrative burdens $P * Q$ for the administrative activities, on the basis of the available information on the target groups. This results in an initial insight into AB for the businesses as a whole.

Verification takes place during step 4. The most important aspect of this step is that the information, the assumptions and the results of the calculations are fed back to representatives of the target groups. This will not only provide expert opinions regarding the reliability and representativeness of the AB that has now been calculated, but it will also create support for the results. The final adjustment of the data is carried out in step 5, on the basis of the results of the verification in step 4.

- *Assumptions*

The use of assumptions should be avoided as much as possible. It is important that the information used for calculating the AB is extracted from reliable sources. Should it become necessary to make use of assumptions for calculating AB, these assumptions should be made visible in the model and explained in the accompanying report.

- *Mixed functions*

A number of businesses register data for more purposes than just the obligations arising from legislation and regulations. The total costs of multi-purpose registrations are allocated to the legislation or regulation being investigated.

Example

Keeping records of the animals on the premises and the number of animal products supplied to customers is part of normal business operations for a cattle dealer. However, various statutory regulations pertaining to cattle dealers also make it obligatory for him/her to keep these records. The cattle dealer's burdens as a result of keeping these records can therefore be fully attributed to AB.

- *Keeping abreast of legislation and regulations*

AB resulting from keeping up-to-date with the frequently changing (at least 1x per year) existing legislation and regulations, should be included in the measurement (as a separate item in the report). The costs of keeping up-to-date with existing regulations for which no amendments are anticipated, do not count as AB.

Example

Customs regulations change every year. In order to keep abreast with existing regulations, businesses ring the customs helpline, refer to newsletters and attend seminars. Multi-national businesses and customs forwarding agents also spend time on extra training and education, because this is the only way to keep abreast of existing customs regulations in order to comply with the information obligation laid down by the Government. Keeping abreast of the changes in the customs regulations is therefore an administrative burden to businesses.

- *Lost turnover*

According to the AB definition, lost turnover does not count as AB. The measurement should only include those costs that have actually been made in order to comply with the information obligation.

Example

A business wants to import a product and needs a permit. In order to apply for and be issued with a permit, the owner of the business has to visit a customs office. The time that the owner of the business spends obtaining the permit counts as an administrative burden. However, the turnover that he/she may have lost while applying for this permit (and which could have been spent doing something else for the business) is not considered to be an administrative burden. Any administrative charges he/she may incur do not count as AB either.

- *Full compliance*

In principle, AB are always estimated on the basis of full compliance with the law. In cases where it is not possible to base the measurement on 100% compliance, due to a lack of information, for example, the actual compliance level may be used.

Starting points for reporting on results of the standard cost model

- *Open structure*

The standard cost model comprises an 'open structure'. This means that the report should provide insight into and control of: (1) which information obligation is being investigated (the article from the law, if possible), (2) which administrative activities the business must carry out in order to deliver the messages that is required in the information obligation (3) how the costs have been calculated. The model should also be set up in a way that makes it easy to continue the calculations in various possible situations arising from (1) changes to regulations and (2) exogenous developments. The report² includes, as a minimum, the following basic information for each information obligation and its related messages:

- P: costs of the administrative activities
- Tariff
 - An average internal or external tariff per law is preferably used for the measurement or the report; if possible a division is made according to tariff per function level.
 - The spreadsheet model in the measurement clearly states whether the internal or the external tariff applies.
- Time in hours
- Q: number of times that an administrative activity is carried out per year.
- Number of businesses

- *Frequency*

A separate provision has also been built into this model to work out and compare the costs of proposals for improvement and alternatives to the regulations. An example has been set out on the next page.

- *Origins of regulations*

The report of the measurement should state the national or international origin of the regulation, at the information obligation level. For further information, see chapter 6.

² The report can take the form a simple spreadsheet or a more advanced database allowing for more advanced reporting.

- **Overlap of regulations**
If there is an overlap with other decisions within a Ministry, this fact should be indicated in the report /model.

Figure 4: Example of report sheet

No.	Art.	Information obligation/ message	Target group/ size of business	Tariff per hour		Time		Frequency	P (Pi+Pe)	Q	$\Sigma(Pi+Pe)*Q$	Origins of regulations		
				I	E	Per hour I	Per hour E					Per year	A	B
		LAW X												
		Description information obligation A												
1		Message A1												
2		Message A2												
3		Message A3												
		Description information obligation B												
4		Message B1												
5		Message B2												
6		Message B3												
7		Message B4												

I = internal E = external

- **Double-counting**
The double-counting and registration of the same information obligation from just one regulation should be avoided. The Ministry responsible for the information obligation concerned can be identified by means of the signature of the Ministry that undersigns (1st signatory).

Example

In the Netherlands the Farm Lease Act [*Pachtwet*] is an example of this. The Minister of Justice is the signatory of the Farm Lease Act, but the amendment Acts were signed by the Minister of Agriculture, Nature Management and Fisheries. In this case, the AB resulting from the Farm Lease Act should be charged to the Ministry of Justice and the AB resulting from the amendments Acts should be charged to the Ministry of Agriculture, Nature Management and Fisheries.

- *Level of detail*
 1. It is important to categorise businesses in to the appropriate amount of categories that will help to explain variations in the level of administrative burdens. Most often it will be necessary to categorise according to sector and/or size of business, especially if this is relevant for determining the reduction possibilities.

Explanation

The size of the business, or in other words the size of the organisation or the processes, can also affect the AB. On the one hand, this could mean that burdens are higher for smaller businesses due to their organisational limitations. On the other hand, larger businesses can also have higher burdens on account of the quantity and complexity of the administrative activities. For example, larger businesses are often faced with more AB from the various administrative obligations arising from the Working Conditions Act than smaller businesses.

2. It is always important to identify the individual messages within an information obligation. Experience shows that in order to be able to calculate the effects of policy and therefore come up with concrete reduction possibilities the measurements must be as detailed as possible.
 3. The size (in euros) of the information obligation is the underlying criterion when determining the relevance: the larger it is (in euros), the more detailed the measurement should be.
- It should always be possible to trace figures in the standard cost model back to information sources, for example, databases or interviews. The measurement should therefore always state which source has been used with regard to the information obligation. In the case of interviews, the report should indicate the branch/organisation that has been approached, unless the information can be traced to an individual business.

4.5 What to measure?

The central idea with the standard cost model is that it is designed to measure the administrative burdens in each separate information obligation in a certain law. This provides a detailed insight into the different parts of the measured law, and how the administrative burdens are distributed between different paragraphs.

In the ideal situation every law is measured and with the same depth as described in paragraph 4.4., but sometimes this is not possible. This paragraph describes how it is possible to make a measurement less costly and time consuming, but that it's still being based on the principles as outlined in this manual. There are two ways for that:

- Differentiate the depth of the measurement
- Select measurement

4.5.1. Differentiate the depth of measurement

Some laws are complex and contain a number of information obligations and are targeting different company segments. Other laws contain a few information obligations that are only targeting one or two company segments. The complexity of a law is not necessarily related to the size of the administrative burdens for the businesses. One law can contain a small number of obligations and only cover one segment, even though the burdens are still very high, and vice versa, e.g. pricing of products.

Dependant on the complexity of the law it is possible to choose between two different kinds of baseline measurements, still being based on the same principles as outlined in this manual. This is described below.

Measuring “simple” regulations

When a regulation is less complex and contains a small number of information obligations and segments, the data collection for the measurement can be carried out through telephone interviews. The other steps in the study will also be less resource demanding compared to measuring complex laws, e.g. identifying the obligations, as there will be less data to handle.

Measuring complex regulations

When measuring complex regulations with a number of information obligations, and with different segments, it is necessary to collect the data by face to face interviews. Complex laws will also require a demanding work in order to identify information obligations and different segments to include in the study. These measurements will be more demanding than measurements on less complex regulations.

To get an overview

In order to get an overview of the administrative burdens in different regulations it is possible to carry out a quick scan where the information obligations are identified. This can be combined with identifying statistics on how many companies that are covered by the regulation. This will *not* give a measurement of the administrative burdens, but can be used in order to set priorities for coming measurements, and to identify what type of measurement that will be most suitable on the different regulatory areas.

If the scanning includes an identification of statistics on number of companies or transactions that are covered by certain information obligations, it will be possible to identify areas where there is a lack of statistical data³. This can then be collected in

³ The statistical information is essential in order to aggregate the effects on a societal level

separate surveys and used when carrying out baseline measurements on the specific regulatory area.

4.5.2. Select measurement

Another option to make the operation less costly and time consuming is to make a specific selection of legislation which you want to measure. Below there is shown a list which can be helpful when making such a selection. This list shows a top 10 of areas with the biggest burdens.

Please note that this list is compiled of the Dutch base measurement. This list will not be 100% the same in each country and serves therefore, as an indication for other European countries.

Top 10 legislation causing AB for businesses

Legislation	Administrative Burden (x € 1.000.000) in the Netherlands	Origin of AB		
		A	B	C
1. VAT	1.500	56%	42%	2%
2. Financial accounting	1.500	99,6%	0%	0,4%
3. Product & safety requirements (labelling)	1.200	98,5%	0%	1,5%
4. Tax on wages / salaries	700	0%	0%	100%
5. National health service act	700	0%	0%	100%
6. Employees' insurances	600	0%	0%	100%
7. Act on conservation of nature	600	10%	40%	50%
8. Income tax	600	0%	0%	100%
9. Pricing of products	500	100%	0%	0%
10. Working conditions	500	44%	28%	28%
Total	8.400⁴			

A = EU subscribes the information obligation and subscribes how a company has to fulfil the information obligation.

B = EU subscribes the information obligation, but the national government subscribes how a company has to fulfil the information obligation.

C = The national government subscribes the information obligation and subscribes how a company has to fulfil the information obligation.

⁴ of 16.500 total AB Netherlands

5. Registering changes to the standard cost model base measurement

5.1 Introduction

Chapter 4 described the starting points applicable when measuring existing burdens. After the baseline measurement has been carried out, it is important to be able to process changes in AB within the measurement. Changes in AB can be the result of new information obligations in existing or amended regulation or due to removal of information obligations. Government initiatives designed to make the businesses handling of the administrative tasks easier, most often ICT-solutions, will also result in reductions of AB and these initiatives should therefore also be measured.

5.2 Measuring the increases and reductions of AB

5.2.1 *Measuring the AB of new or amended information obligations*

New or amended legislation should be carefully mapped in order to identify the inherent information obligations and messages. Subsequently, the administrative activities which businesses will have to perform in order to be able to deliver the messages can be identified.

After this has taken place, a decision must be taken as to whether the new or amended regulation can be measured by comparing it to existing regulation or whether new interviews with businesses have to be made.

After this calculations of the P and Q can be carried out.

In order to ensure that the calculations are made in a uniform manner, this section provides the starting points for calculating the AB for new or amended regulation. These points are largely the same as the starting points used for measuring existing burdens but they have already been filled in certain places.

Starting points for calculating P and Q for new or amended regulation

When calculating the components P and Q, it is necessary to fill in the variables (1) tariff, (2) time, (3) number of businesses and (4) frequency. The starting points relevant to new or amended regulation are listed below.

- *Tariff*
When calculating AB for new or amended regulation, as realistic a tariff as possible should be chosen. If interviews with businesses are conducted, these should be

asked about what kind of employee will most likely perform the activity. If interviews are not conducted, it is necessary to identify the type of employee, who will most likely perform the administrative activities. The tariff for the identified kind of employee should subsequently be found through statistical information. Remember to add wage and overhead costs.

- *Time*

When determining the time a business will need to comply with a new information obligation, the first step is to find out whether data on time regarding similar existing regulations is available from comparable existing measurements, i.e. the Standard Cost Catalogue. If this is not possible, interviews with affected business should be carried out in order to identify the standardised costs of performing the administrative activities related to the information obligation. **Please note:** always make clear how the information regarding time was obtained and state the basis of any estimated figures.

- *Number of businesses*

When determining the number of businesses, which are affected by the new information obligation, the main source of information should be the new law itself. If the information does not appear there, the number of affected businesses will have to be estimated based on relevant statistical figures. As for voluntary information obligations, it will often be extremely difficult a priori to estimate how many businesses will want to make use of the possibilities offered by the law. In these cases updates of number of businesses therefore becomes extremely important. Hence, one or two years after the voluntary information obligation has come into force, it will be possible to see from the statistical material how many businesses have in fact made use of the law. **Please note:** always make clear how the information on the number of businesses was obtained and state the basis of any estimated figures.

- *Frequency*

The frequency with which businesses have to report information should in all instances be clearly stated in the law. Even for voluntary information obligations the frequency will be clearly stated in the law as it will most likely be once a year ($f=1$)

Starting points for investigation regarding new or amended regulation

- *Assumptions*

When calculating the AB in the case of new or amended regulation, working with assumptions is unavoidable. This plays a role when determining how the variables should be quantified; for example it will often be possible to make use of data from similar information obligations when determining the variables for new or amended laws, i.e. the standard cost catalogue mentioned above.

The assumptions should be based on those principles that have already been mentioned in the section “Starting points for the investigation” on page 22. However, below some of the central points to be aware of when measuring new or amended laws are mentioned. The assumptions used should always be clearly marked in the report.

- *Mixed functions*
A number of businesses register data for more purposes than just the obligations arising from legislation and regulations. The total costs of multi-purpose registrations are allocated to the legislation or regulation being investigated.
- *Keeping abreast of new legislation and regulations*
The costs to a business of keeping up with new legislation and regulations are administrative burdens. If the legislation changes at least every year, the administrative burden is a running cost, which should be included in the measurement. The reason for this is that businesses will have to establish internal procedures in order to deal with the frequently changing legislation. If the legislation changes less frequently, the costs are a one-off costs which may have to be quantified if it constitutes a necessary component of a regulatory impact assessment of new regulation.
- *Full compliance*
The AB are estimated on the basis of full (100%) compliance with the new information obligation.

Example

The Ministry of Economic Affairs draws up a new law containing an information obligation that applies to 2,000 businesses in the power sector. If the law were to be enforced, there is a possibility that in practice, some of the 2,000 businesses would either not comply, or not comply fully, with the law. However, it is impossible to estimate in advance how many of these businesses would not comply fully. The AB should therefore be calculated on the basis of all 2,000 businesses.

- *One-off costs*
The one-off costs that a business must invest in order to satisfy an information obligation can be quantified in order to be included in the RIA. The one-off costs are included in the baseline measurement as overhead but whether they should be included when measuring new or amended legislation is a matter of choice. If they are included, they should be spread over the depreciation period.

Example

As a result of new regulations, entrepreneur X is confronted with a new information obligation. In order to comply with this information obligation, entrepreneur X must make a one-off purchase; a software package. The costs of this purchase must be quantified by the policy official. However, the total costs should not be booked for a single period but spread over the depreciation period.

5.2.2 Measuring reduction of AB as a result of changes in technology

Paragraph 5.2.1 describes how you can measure AB in case of new or amended regulation. A way to reduce AB is to lower the time businesses spend performing administrative activities. Most often this will come in the form of an ICT-solution. Measuring the effect of such an initiative requires a new measurement among affected businesses in order to find out how much less time businesses spend fulfilling the information obligation using the initiative.

5.3 Maintaining the Base Measurement

The government operates in a dynamic environment. New regulations are introduced and existing regulations are re-written, simplified or amended. These changes in AB are measured (see paragraph 5.2), but how can you maintain your base measurement for overall structural changes in the business community?

There are basically two options when maintaining the base measurement:

- 1 An integral update after a couple of years, combined with a continuous monitoring of AB changes due to policy decisions. With this method all macro economic indicators (like inflation and wage level), autonomous changes (such as numbers of businesses and employees) and changes to indicators of a domain specific nature are frozen until the next base measurement. In other words the amount of ABs only change as a result of changes in policy. It is recommended that this time-interval is consistent with the policy ambition (e.g. reduction of AB by the year X). The advantage of this is that it is possible to measure and monitor the reduction and increases in AB during time.
- 2 An annual update of all indicators. This leads to the question how to deal with conjunctural changes in tariffs and the number of companies, and how to appreciate technological and organisational progress.

Part III

How to identify the origin of administrative burden?

6. The origin of administrative burden

6.1 Introduction

This chapter contains a decision tree with which the information obligations underpinning the administrative burdens can be broken down into three categories:

- **Category A:** The information obligations and fulfilment of them are generated at European or international level. This means that both the information that businesses are required to provide, together with the way that this should be done, is stipulated at the EU level. In this case a ministry has limited influence⁵ on the administrative burdens.
- **Category B:** The information obligations arise from European and international legislation and regulations, however, implementation rests on the national government. The nature and scale of the administrative burdens is therefore partly determined by the way in which the ministry involved sets up and organises the implementation of the information obligation.
- **Category C:** The information obligations are only the result of national legislation and regulations. Both the information obligation and the way in which this should be implemented are stipulated by the national government.

The classification is intended to show which legislation falls under which sphere of influence. In concrete terms this means that information obligations arising from national policy can be adjusted without consulting other member states or international partners. It will also indicate whether specific information obligations can be amended only in consultation with the EU and/or international partners. In the latter case, the administrative burden of these information obligations can definitely be reduced, for instance by simplifying or accelerating the request for information using ICT applications.

Classification in categories is therefore an excellent means of breaking down the origin of the information obligations in terms of content and the administrative burdens that arise from them. The classification consequently makes no normative statements regarding the (un)desirability or (im)possibility of reducing the administrative burdens.

⁵ Where this guide mentions limited influence, it refers to the immediate sphere of influence. In an international context, there must be opportunities for reducing the administrative burdens but this will need to be done in consultation with the international community.

6.2. Decision tree for classification

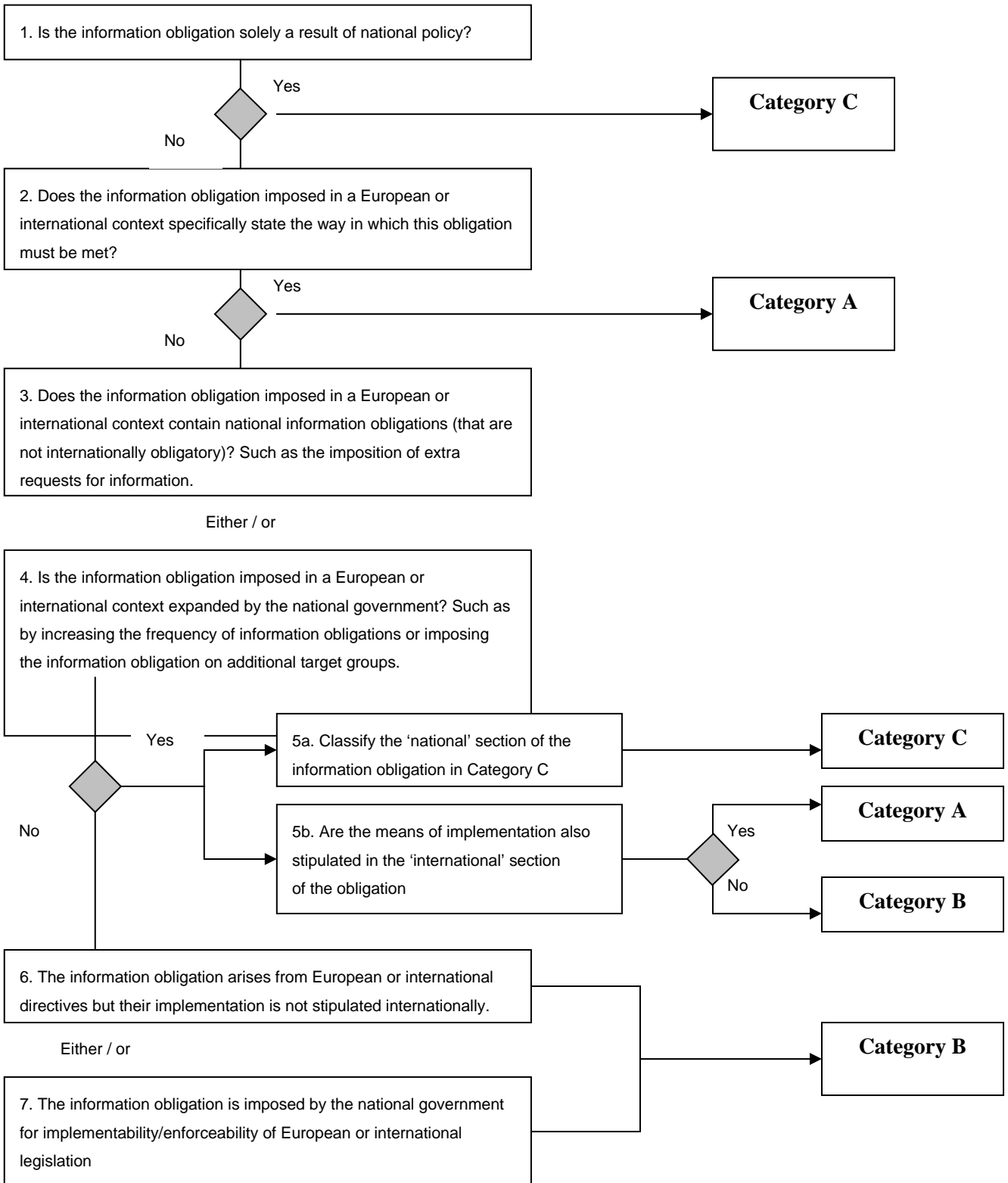
To ensure that the classification of categories is consistent and based on uniform starting points, a decision tree has been drawn up (see figure on page 43). The questions raised in the decision tree can be used to determine in which category an information obligation should be ranked.

Categories A and C can be classified by asking simple allocation questions (see questions 1 and 2). The next question to be asked is whether national policy has expanded and/or broadened European or internationally imposed information obligations. The following situations could arise, for example (see questions 3 and 4):

- National legislation stipulates that more information must be provided than is stipulated in international legislation
- The frequency for submitting information in national legislation is higher than stipulated in international legislation
- The target group in national legislation is expanded to include target groups that are not stipulated in international legislation
- The accuracy of measurements in national legislation and regulations is higher than the accuracy that is stipulated in international legislation and regulations

When classifying into categories, these national expansions or broadening of internationally imposed information obligations are classed in category C (see questions 5a and 5b). If an information obligation flows from international legislation, but its implementation is not internationally stipulated, it is classified in category B (question 6). Obligations that are imposed by the national government to safeguard the implementability/enforceability of European or international legislation are also classified in category B (question 7).

Figure 'Decision tree for classification in categories A, B and C



Appendix 1 Frequently asked questions regarding the definition of AB

Part I will have provided the answers to most of the questions regarding the term administrative burdens. However, there is always a 'grey' area in which it is not immediately obvious whether costs should be included as AB or not. A summary of the most frequently asked questions is shown below.

1. General questions

- *Are the costs of supervision covered by the term AB?*

The costs incurred by a business for informing a supervisory body about the individual organisation count as AB. However, the costs of the supervisory body inspecting the 'books' do not constitute AB if the supervisory body carries out this task personally, and neither do the fees that are paid to supervisory bodies by financial institutions.

- *Do the costs of objections and appeals and other similar (legal) procedures constitute AB?*

Generally speaking, objections (for example, contesting the refusal of a permit or objecting to a decision made by the inspector of taxes) are deemed to be AB. The costs of objections and appeals lodged by a business against, for example, judgements and decisions made by supervisory bodies, count as AB unless criminal law is involved.

Sometimes businesses with conflicting interests are forced into negotiations that result in arbitration or civil proceedings. If the conflict cannot be resolved, a Government body must then pronounce judgement (for example, the supervisory body or the judiciary). In many procedures of this kind, the exact information that the Government body needs and that businesses are obliged to supply is laid down by law. The costs incurred to comply with these information obligations are AB.

Please note! The costs arising from the above-mentioned situations are covered by the term AB. However, the situations described above do not only apply to businesses but can also apply to private individuals and Government organisations. These AB should not be included in the programme for reducing AB for businesses, but they should be tackled in a broader perspective. These AB should therefore not be included when setting targets.

- *Do defence costs count as AB?*

Defence costs incurred as a result of violating regulations do not count as AB. AB are measured on the basis of full compliance with the regulations.

2. Questions relating to the term information obligation

- *Are investigation obligations covered by the term AB?*

In certain cases, legislation and regulations oblige businesses to carry out investigations in order to obtain information for the Government or another competent authority. This often concerns disclosure requirements for obtaining a permit. The obligation to supply information of this kind is an administrative obligation. The costs involved therefore constitute AB.

- *Do information obligations arising from inspections count as AB?*

The AB arising from the inspection of vehicles or equipment should be entered as AB. Inspections relating to individuals (such as examinations for jobs or training) should not.

3. Questions relating to the term Government legislation and regulations

- *Are information obligations arising from covenants covered by the term AB?*

Covenants are not generally binding regulations but agreements made between the Government and businesses or business branches. The costs resulting from complying with covenants, even if they have been agreed in order to avoid making regulations, do not therefore count as AB.

- *Do information obligations arising from subsidies count as AB?*

Subsidies are the result of legislation and regulations: the information obligations associated with subsidies are therefore deemed to be AB. The fact that a business may have entered into this situation voluntarily is irrelevant. For pragmatic reasons, the administrative activities associated with subsidies are not included in the measurement of existing burdens; a separate procedure is used to chart and tackle these activities.

- *Are information obligations associated with a patent application covered by the term AB?*

The information obligations ensuing from a patent application are included in the AB measurement. This is similar to situations such as applications for subsidies or permits (which are voluntary).

- *Are information obligations arising from certification covered by the term AB?*

Certification is the process whereby an independent party judges whether a product, a service, a process or a person satisfies specified requirements. The certificate is the declaration stating that these requirements have been satisfied.

Only certification required by Government law results in AB. Other forms of certification, such as self-regulation, do not.

Appendix 2 Types of information obligations and administrative activities

The information obligations with which businesses must comply can be roughly divided into 17 different types. These various types often involve similar activities, for example, submitting information to the authority concerned when making a report.

In the standard cost model (SCM), these information obligations should preferably be entered in a uniform way thereby making it possible to compare the burdens for the different forms of legislation and regulations and the various target groups. In principle, the list of activities described below should always be used when filling in an information obligation in the SCM. Certain activities can be adjusted and unnecessary activities can be abandoned after consulting with file-holders. This reduces the risk of certain activities being overlooked.

The 17 types of information obligations and the most commonly associated activities are:

Reporting/giving notice of ...

This usually involves reporting transactions either beforehand or after the event. The activities associated with reporting are:

1. gathering information,
2. compiling the report,
3. submitting the report to the competent authority, and
4. filing the report.

Applying for a permit...

This can involve all kinds of permits, which need to be applied for prior to a particular activity. The activities associated with applying for a permit are:

1. announcing the intention to apply,
2. gathering information,
3. compiling the permit application,
4. submitting the permit application, and
5. obtaining and filing the permit.

Applying for recognition...

This involves applying for proof of being capable of performing certain activities. The activities associated with applying for recognition are:

1. gathering references and diplomas for the people concerned,
2. drawing up procedures and handbooks designed to safeguard quality,
3. compiling the application for recognition,
4. submitting the application for recognition, and
5. obtaining and filing the recognition.

N.B. Any (extra) training required to comply with activity 1, does not count as AB.

Carrying out registrations/measurements of ...

This involves carrying out all kinds of registrations, usually in order to gain an overall picture of the activities being carried out. The activities associated with registration are:

1. designing and communicating (measuring) systems,
2. installing equipment for the purpose of registration, measuring and/or analyses,
3. registering information,
4. filing information (usually for one to five years),
5. reporting the results to the competent authority on request or periodically, and
6. consulting on the results of the measurements.

Carrying out (periodical) investigations into ...

This involves carrying out investigations (or having investigations carried out) that involve more than just one or a few measurements. These investigations are usually part of gathering information in order to comply with other obligations. The activities associated with investigations are:

1. preparing the investigation,
2. carrying out measurements,
3. processing the results, and
4. compiling an investigation report.

Compiling (periodical) reports on...

This involves compiling reports on activities that have been carried out. This includes annual accounts, environmental annual reports and the like. The activities associated with compiling reports are:

1. gathering information,
2. processing information,
3. compiling a report,
4. submitting and filing the report, and
5. discussing the report.

Carrying out (type) inspections of ...

This involves (1) carrying out (type) inspections of machines and equipment to which health or environmental risks apply, and (2) examining people for particular functions. Inspections are usually carried out by accredited organisations. The activities associated with carrying out inspections are:

1. preparing for the inspection: supplying the machine or equipment to be inspected along with the relevant documentation, or gathering personal information,
2. examining the person or equipment in question,
3. processing the results,
4. compiling an inspection report, and
5. obtaining and filing the approval.

Applying for permission for, or exemption from ...

This involves applying for and obtaining permission for, or exemption from, a particular activity. The activities associated with applying for permission or exemption are:

1. compiling the application,
2. submitting the application, and
3. receiving and filing the answer.

Keeping business (emergency) plans and programmes up-to-date regarding ...

This involves keeping documents required by the authorities, for example handbooks and emergency plans, up-to-date. The activities associated with keeping documentation up-to-date are:

1. drawing up business (emergency) plans and programmes,
2. evaluating existing documents,
3. consulting with the staff concerned and any other stakeholders,
4. re-writing documents, and
5. filing new documents and drawing attention to them within the organisation.

Cooperating with audits / inspections / enforcement of ...

This involves providing information and supervising external personnel who are carrying out inspections and audits at a business, or who are visiting a business in connection with the enforcement of regulations. The activities associated with these activities are:

1. gathering information to prepare for the audit / inspection / visit,
2. supervising external personnel (roughly 1 member of staff per 2 external functionaries)
3. discussing the results,
4. providing additional information,
5. compiling a report, and
6. submitting and filing the report.

Labelling for the benefit of third parties...

This involves providing products or installations with labels containing user information.

The activities associated with labelling are:

1. gathering information for the label,
2. designing the label, and
3. applying the label.

N.B. If the labelling involves the permanent application of a quality mark, only activity 3 applies.

Providing information to third parties on...

This involves issuing information (different from labelling) to third parties (for example, a financial insert accompanying investment products). The activities associated with providing information to third parties are:

1. gathering information,
2. drawing up documents, and
3. filing and supplying the information requested to third parties.

Producing documents with regard to ...

This involves being able to produce or show documents necessary for economic traffic, mostly for the identification of people and goods (such as an extract from the Chamber of Commerce register or a consignment note). The activities associated with producing documents are:

1. requesting the documents concerned, and
2. producing / showing the documents.

Taking note of legislation and regulations

This involves keeping abreast of Dutch legislation and regulations. If particular regulations undergo regular changes (or changes to details), AB should be included for this. The activities associated with taking note of legislation and regulations are:

1. obtaining the new legislation and regulations,
2. examining the new legislation and regulations, and
3. communicating the effects of changes to legislation and regulations within the business.

Objections and appeals procedure

This involves the lodging of objections and appeals against a decision made by the authorities. The activities associated with the objections and appeals procedure are:

1. compiling notice of objection,
2. submitting notice of objection,
3. preparing for an appeal, and
4. making sure an appeal is heard.

Dealing with complaints

This involves making sure that complaints can be dealt with properly as well as actually dealing with any complaints that may arise. The activities associated with dealing with complaints are:

1. setting up a procedure for dealing with complaints,
2. setting up a complaints commission,
3. publicising (familiarising with) the complaints procedure,
4. dealing with complaints by a complaints commission comprising of three members

Registration in register ...

This involves ensuring registration in a register or list. The activities carried out within the framework of registration in a register are:

1. gathering information,
2. registering,
3. obtaining and filing a copy of the registration

Appendix 3 Frequently asked questions with the ‘decision tree’ for determining the origin of information obligations.

Part III has described how the origin of information obligations can be determined. Below follow a couple of frequently asked questions, shown in brief, together with an explanation.

**Are category B information obligations always included in European Directives? and
Are category A information obligations always included in European regulations?**

No. The allocation in categories is separate to a direct (or otherwise) operation of EU legislation. Administrative burdens in category A result from information obligations that are stipulated directly by European law. This means that the information obligation and the way in which it should be implemented, is described. Such stipulations are found both in regulations and directives. This similarly applies to information obligations in category B. As far as regulations are concerned, the member states may have a degree of freedom in their implementation.

The law offers the possibility of meeting information obligations with a national or international seal of approval. In which category should these information obligations be categorised?

Meeting the requirements for an international seal of approval is often only relevant for companies operating internationally. The seal of approval stipulated in an international context is ranked in category A or B. The national seal of approval is stipulated by law and applies to all companies operating in the National government. The administrative burdens of these information obligations are then classified in category C.

Certain information obligations have been harmonised between member states in separate treaties and no general EU legislation. In which category should these information obligations be classified?

Classification into categories is directed at all international legislation which means that, besides EU legislation, other international agreements are also taken into account. Examples of these are the Rijnvaart Convention, the Montreal Protocol, the Aarhus Treaty and the IATA Convention, the IMO Convention, etc. Depending on the way in which these treaties impose information obligations and their implementation, these are categorised into category A or B.

An information obligation falls partly under A or B and partly under C. However, the exact proportion divided across the categories is unknown. How can this be classified?

In some cases, it is difficult for policy officers and jurists to indicate the exact proportion divided across the categories. For instance, there are European directives for the approval of certain measuring instruments, but not others and the relation between these two groups of instruments is unknown. In these cases, the distribution is determined in consultation with the executive bodies involved. Here, for instance, the number of instruments that conforms to international requirements is approved and the number of instruments that conforms to national requirements is approved as a means of distribution for administrative burdens.

Information obligation 1 is in line with information obligation 5 arising from the legislation of another ministry. The information obligation of this other ministry is known as being internationally imposed. In which category should information obligation 1 be classified?

In this case, classification into categories means that category C could be a possibility. The legislation of the other ministry is not decisive in this. However, the administrative burdens in question must be checked to ensure that the administrative burdens aren't counted twice (in other words, that the administrative burdens are incurred by companies once only). Moreover, in the context of possible reduction proposals it is crucial that this information obligation is harmonised in an inter-ministerial context (also referred to as the 'cluster approach').

Part of the legislation and regulations are long-standing and the way in which international legislation underpins this is no longer known. How can this information be accessed nonetheless?

In general, the preamble of the act or articles of the act indicate which European or international legislation the act is based upon. In the clarification to the article concerned, this is given in further detail. In addition, use can be made of transposition tables (generally contained in the explanatory memorandum accompanying an act or decision). These are useful for this purpose if the zero measurement gives the article numbers corresponding to the information obligations.

Certain information obligations have been implemented on the basis of planned EU legislation. Are these information obligations then categorised in categories A or B?

No. Classification in categories is intended to provide insights into the ranking in categories of current legislation and regulations. This means that anticipating expected international obligations is seen as national policy. These information obligations are therefore ranked in category C. Because ranking in categories must be maintained on a yearly basis, however, this can mean that over time, these information obligations shift from category C to category B or A, once the EU legislation has entered into force.