

## 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 They have also seen efforts to ensure that that tool is not poorly designed or outdated when it comes to market intervention to protect public interests.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)<sup>1</sup> 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.<sup>2</sup> 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.

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

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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.

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

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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.

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*The RTA has also been a methodological learning exercise*

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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.<sup>3</sup>

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.