

Cutting Red Tape

Comparing Administrative Burdens across Countries

ANNEX B4



ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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Preface

0.1 This manual provides guidance in how to measure and benchmark administrative burdens as part of the OECD's Red Tape Assessment project. It describes the events for which the administrative burdens are to be measured and provides step-by-step description of the measurement process.

0.2 The methodology described in this manual is based on the Standard Cost Model. The Standard Cost Model is a model designed to present the administrative burdens arising from regulation in a way that it provides insight and allows for comparison of the figures. Many European countries already use this methodology to measure their administrative burden and simplify their regulation. As their experiences and know how, especially those from Denmark and the Netherlands, have been used to write this manual, the OECD would like to thank them for contributing to this manual.

0.3 This manual is written for the first project of the Red Tape Assessment; 'Administrative Burden in the Road Freight Industry'.

1. INTRODUCTION

1. Government formalities are important tools to support public policies in many areas such as taxation, entrepreneurship, safety and environmental protection. There is a risk, however, that administrative regulations can impede innovation or create unnecessary barriers to trade, investment and economic efficiency, and even threaten the legitimacy of regulation. As regulations have become more complex and information-dependent, regulatory burdens have increased.

2. Cutting red tape has been firmly on the political agenda in most OECD Countries for several years. As governments continue to develop policies to reduce administrative burdens, there is an increasing need for evidence-based assessments and comparisons of these efforts. Despite the high profile and the numerous individual initiatives to reduce administrative burdens, governments seldom have a detailed understanding of the total administrative burdens imposed on businesses, citizens and government itself, or of the cost-efficiency of many of the administrative simplification tools applied.

3. Spearheaded by half a dozen governments, the past 2-3 years have seen an unprecedented rise and change in efforts to reduce administrative burdens. This new approach to administrative burden reduction policies complements past (and ongoing) efforts with concrete attempts to measure the exact impact of administrative burdens and to compare performance over time and with other countries.

4. Despite the greater availability of data and methodologies on administrative burdens, these are to a large extent based on subjective, incomplete and/or incomparable data across OECD countries. Moreover, a number of international surveys – although presenting comparative data – do not have a participatory approach, that is, involving regulating agencies and ministries in for example the mapping and identification of regulatory requirements. Experience suggests that such participation raises awareness, enhances learning and reveals potentials for further reform.

5. The Red Tape Assessment (RTA) project has four objectives:

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

6. By providing a shared and consistently implemented methodology to measure and compare administrative burdens in OECD member countries, the project will support countries in realising the potential for economic growth hampered by unnecessary administrative burdens. It is intended that the findings of the project will help countries identify progress, strengths and weaknesses of burden reduction efforts, thereby contributing to the improvement of pro-competitive and user- and investor friendly regulation.

2. CROSS COUNTRY BENCHMARKING

2.1. Introduction

7. One of the aims of the Red Tape Assessment is to be able to make cross country comparisons of administrative burdens. The RTA largely builds on the standard cost model approach to measure administrative burden. The model identifies the administrative costs of legislation on a very detailed level. This creates the possibility to both make cross country comparisons as well as providing specific input on the reduction of burdens.

8. The RTA benchmarking will take as its starting point a number of specific business events, which makes the initial approach slightly different compared to national measurements, which have already been undertaken. This raises several challenges. First of all, not all countries volunteering to participate in the RTA have made a full scale national standard cost model (SCM) measurement. Second the regulation between countries varies and is not always directly comparable. Thirdly there might also be a difference in the influence of supra-national legislation on national legislation.

9. In order to make a robust and useful benchmark it is important that these differences and other potential difficulties are recognised and addressed. This chapter addresses the overall benchmarking approach and the preconditions for making a good RTA benchmark. The specific definitions and demarcations in regard to the specific benchmarking and measuring of a certain business event will be addressed in other chapters.

2.2. Preconditions for the RTA benchmark

10. A successful cross country benchmarking exercise can be a complex task. However, benchmarking administrative burdens is a very important tool to identify different functional areas where there is scope for improvement. The following paragraph will describe some of the preconditions needed for a successful benchmarking exercise.

Preconditions

Identifying relevant business events and defining the business sector

Defining benchmarking topics

Defining comparable benchmarking indicators(information obligations)

Agreeing on time schedule

Common method for measuring

1. Identifying relevant business events and defining the business sector

11. In order to select an area of legislation to be benchmarked the participating countries should agree on one or two business events to be measured. Further, a clear definition of the business sector in question should be set up in order to secure a comparable collection of data. For the success of RTA benchmarking it is important to narrow the subject of interest down and make it very operational as a way to secure consistent data collection and comparability.

2. Defining benchmarking topics

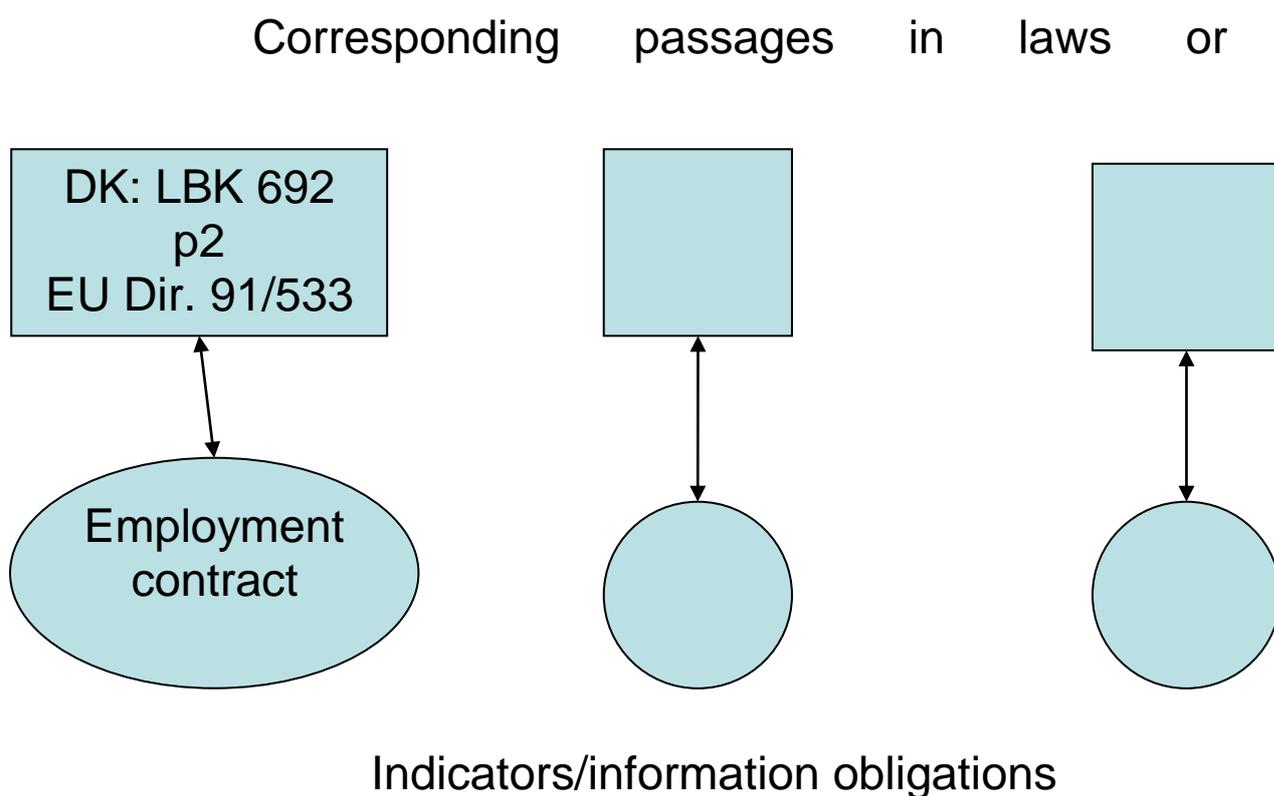
12. When starting a benchmark it is important that all participants have a clear understanding of the goals and framework of the project. The frame and topics affect what should be selected and what should be measured. Based on SCM a set of specific topics to be investigated should be repetitive to all RTA benchmarks. A list of generic topics is presented in Appendix 1. When agreed upon by the RTA steering group these topics should be considered the minimum for conducting a RTA cross country benchmark – also for future RTA benchmarks.

13. The participating countries should further agree on any additional set of information to be measured and benchmarked in regard to the specific business event in question, *e.g.*, Appendix 1.

3. Defining comparable benchmarking indicators (information obligations)

14. Based on the business events selected a related set of benchmarking indicators must be found. These indicators should be seen as equivalent to information obligations. A set of indicators to cover each event will have to be coupled to *passages in a law or regulation text that requires business to provide or draw up the information*. This means that the specific regulations that require business to provide certain information have to be singled out.

Figure 1. Example of benchmarking indicators of hiring a worker



15. The illustration shows how the benchmarking indicator employment contract should be linked to specific legislation and in this case also with an EU-directive. It should be noted that the indicators are the same as information obligations. This exercise should be done for all indicators whereby identifying all relevant pieces of domestic and international legislation. Participating countries might suggest other benchmarking indicators/information obligations that could be of interest for cross country benchmarking. As a way to have as clear distinctions as possible the secretariat will for the first measurement seek to present solid demarcations and definitions in agreement with the steering group. The specifics will be addressed in the Phase 0.

16. A draft example of benchmarking indicators to be used for the selected events on the road freight sector is presented in Appendix 2. The final indicators will be agreed upon by the steering group and participating countries by the end of Phase 0.

4. Agreeing on time schedule

17. Before starting a RTA measurement a time schedule should be agreed upon by the participating parties. The deadlines should follow the process laid down in the RTA manual addressing important deadlines in regard to Phase 0 – Phase 3. A draft time schedule is presented in Appendix 6.

5. Common method for measuring

18. The common method for measuring and the specific steps related to carrying through a RTA measurement should be adhered to by all participant countries. A common approach will be quintessential in order to get consistent and useful results. The specifics of the RTA methodology and process are described in this manual.

3. BUSINESS EVENTS

3.1. Introduction

19. The intention is that the first survey be confined to a narrowly defined industry sector and a number of specific regulatory events. The aim is that the first survey should produce interesting results, but primarily be a learning exercise for both the secretariat and participating countries. Subsequent surveys would be much broader in scope.

3.2. The Road Freight Sector

20. It has been decided that the small to medium size trucking sector be adopted as the focus of the first survey for the Red Tape Assessment. The road freight industry is geared to distribution, logistics and basic physical transport. It is a key sector of the economy, playing a major role in market integration and having a direct impact on transactions costs for economic agents.

21. For the purposes of the RTA the trucking industry is to be defined as the ‘for hire’ trucking sector. This sector is in the business of hauling freight for other people – the ‘for hire’ trucking sector provides both the vehicle and driver to carry out the freight hauling task. This sector would therefore include trucking operations which haul furniture, logs, containers, liquid freight etc for other businesses or individuals.

22. The definition of trucking to be used in the RTA explicitly **excludes** what may be called ‘private trucking’ where the owner of the freight is the same as the owner of the truck. An example of ‘private trucking’ is a construction company which also owns and operates a number of trucks to move its own equipment and materials from site to site.

23. There is no universally agreed definition of small to medium size enterprises (SMEs). However, to ensure consistency of the data collected as part of the RTA project it is necessary that all participating countries collect data using the same agreed definitions. The RTA will therefore adopt the definitions of SMEs for legal and administrative purposes based to the European Commission recommendation 2003/361/EC regarding the number of employees in the enterprise. A SME will therefore be defined as an enterprise with between 1 and 249 employees.

24. In addition, for the purposes of reporting data during the RTA project participating countries should use the following definitions of different enterprise sizes:

- Micro enterprise 1 to 9 employees;
- Small enterprise 10 to 49 employees; and
- Medium enterprise 50 to 249 employees.

25. The measurement of burdens in small to medium size firms narrows the focus to a sub-set of the entire industry but allows some comparison of different burdens by size of firms. The sector is also narrowly specified. It is also the case that the basic technology – that is, the truck – is likely to be similar among OECD countries.

3.3. Selected Events

26. The next issue is the specification of ‘events’ for which the administrative burdens are to be calculated. The intention in the first survey is not to measure the administrative burdens associated with all regulations affecting the trucking industry, but rather to focus on a number of ‘events’.

27. The following criteria were used to assess possible options:

- The events or areas of regulation need to be reasonably similar in all OECD countries (to facilitate the comparison of results and possible benchmarking);
- They should be important from the firm’s perspective in the sense that they are likely to generate significant administrative burdens; and
- There should be scope for the results of the study to be used to facilitate burden reduction measures.

28. Two events or areas of regulation have been chosen for the first survey: one which is relatively narrow regarding ‘hiring a worker’; and a second which is a little broader regarding ‘operating a vehicle’. The analysis of both events should result in a benchmark as well as analysis of the differences between countries.

29. As part of the process of measuring administrative burdens the OECD secretariat has identified a set of benchmarking indicators (information obligations) that are expected to be equal across countries (*e.g.*, Appendix 2). Each participating country will be required to identify the rules and regulations in their particular country which correspond with the pre-suggested benchmarking indicators. It is possible for countries to suggest other benchmarking indicators that are considered relevant for international comparison in relation to the two events. The final set of benchmarking indicators is to be agreed upon by the participating countries by the end of Phase 0.

3.4. Hiring a worker

30. For the first narrow event, the measurement will consider the administrative burdens associated with hiring a new worker. The administrative events would include those applying to businesses in general and those which apply specifically to businesses in the trucking sector.

31. In order to narrow the event and make it operational ‘hiring a worker’ should in this case be considered as taking in a new employee. The starting point for talking about hiring a new worker would start with an employment contract and be ended by issuing the first pay check, as the first pay check is expected to give businesses a certain set of information obligations in relation to taxation requirements, social security requirements etc. After the first pay check has been issued the worker should be considered part of the permanent workforce.

32. For the event ‘hiring a worker’ the following benchmarking indicators (information obligations) are suggested:

- Registering an employee as a taxpayer
- Issuing a letter of employment
- Reporting information on taxes

- Reporting information on pension
- Reporting on holiday pay

3.5. Operating a vehicle

33. The second broader event to be examined as part of the measurement is the administrative burdens associated with regulations on ‘operating a vehicle’. The administrative burdens focus on the requirements to keep a vehicle on the road.

34. In order to narrow the event and make it operational ‘operating a vehicle’ should be considered as what it takes for a business to keep a truck on the road during a year. On the road would mean what is needed for a business to have trucks carrying freight from one place to another. This would supposedly in most countries include permits for the truck in questions, keeping track of the drivers driving hours etc. Further there are supposed to be certain requirements related to international road freight and specific cargo (*i.e.*, dangerous goods).

35. For the event ‘operating a vehicle’ the following benchmarking indicators (information obligations) are suggested:

- Applying for national permit to conduct road freight transport
- Applying for renewal of national permit to conduct road freight transport
- Registering a vehicle (truck)
- Registering of weight of vehicle (truck)
- Applying for international permit to conduct road freight transport
- Providing information on hours of service
- Applying for a permit to operate a block car
- Applying for a permit for special transport¹
- Applying for a permit for the transport of dangerous goods
- Keeping information in the vehicle during transport of dangerous goods

36. Participating countries are welcomed to suggest other benchmarking indicators (information obligations) that are supposed to be of comparative interest.

37. Participating countries may, if they wish, collect additional data on other information obligations as part of the measurement. This might be of interest where countries have specific national regulatory requirements related to the two events that are expected to be burdensome.

1. Special transports are transports exceeding size and/or weight limits set in relevant legislation.

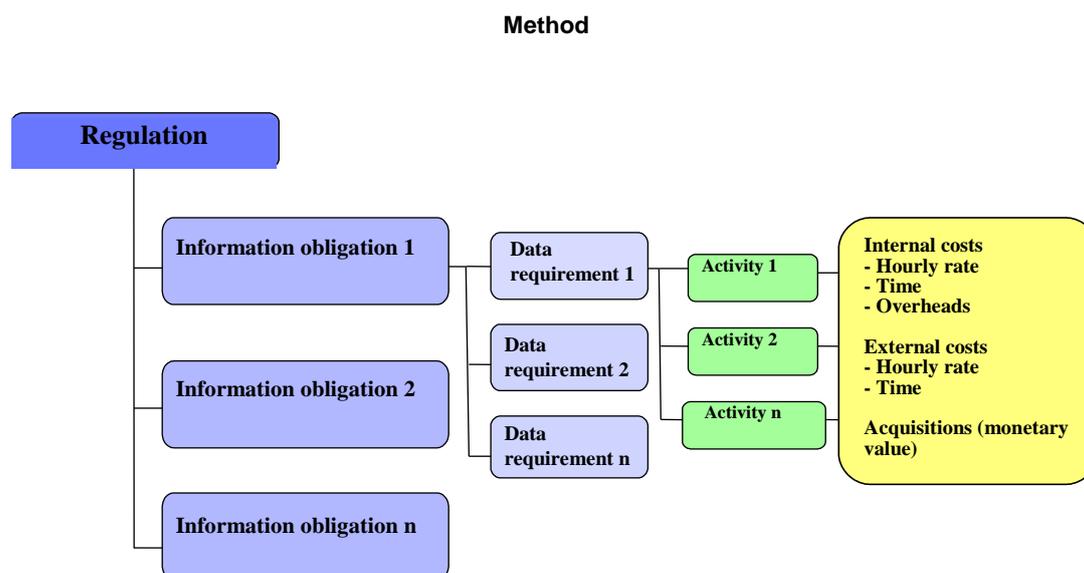
4. THE STANDARD COST MODEL METHOD

4.1. Introduction

38. The Standard Cost Model is a model designed to present the administrative burden (AB) arising from regulation in a way that provides insight and allows for comparison of the figures.

39. The SCM method involves identifying those textual parts of regulation that require businesses to make information available to the authorities or third parties. These information obligations may be further sub-divided into a number of pieces of information that the businesses are required to make available – these are known as data requirements. In order to produce the information concerned the businesses have to carry out a range of standardised administrative activities (*e.g.*, gathering of information in the business). These activities require, on the one hand, internal resource consumption in the form of use of employees' time and, on the other hand, an external consumption of resources in the form of fees for auditors, external experts and the like. Taken as a whole the administrative costs of a piece of legislation are the costs that are associated with having to carry out the various administrative activities. Figure 2 below illustrates the relationship between information obligations, data requirements, administrative activities and cost parameters.

Figure 2. Breakdown of a law or rule by means of the Standard Cost Model



40. The basic idea behind the method is that typical businesses are interviewed about how much time and money is spend performing those administrative activities that are necessary, in order to fulfil an information obligation. Based on personal interviews with business representatives, the costs for a normally efficient business are determined. By extrapolating data it is thereby possible to arrive at an overall statement of the administrative costs associated with a given rule.

41. The methodological strength of the Standard Cost Model method is that it is characterised by a high degree of detail in the measurement of the administrative costs of the businesses.

4.2. Important definitions and explanation of the concept

4.2.1. Administrative Burdens

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

43. 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.

44. 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.

4.2.2. Information obligation

45. The fundamental concept behind a Standard Cost Model measurement is to focus on the information that the businesses, as a consequence of public regulations, are to provide and typically submit to the public sector or communicate to a third party. These obligations to provide information and data to the public sector or third parties are termed *information obligations*:

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

47. An information obligation does not necessarily mean that the businesses have to send in the information to a public authority as is, for example, the case with VAT accounts. It can also be a matter of information that the businesses have to have available and forward/display upon request, such as an assessment of work and health for example. Box 1 shows respectively an example of an information obligation that businesses, according to law, are required to report in to public authorities, and an information obligation that businesses, according to law, are required to make available to customers.

Box 1. 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, consignment notes during the transportation of goods, the obligation to provide an invoice for certain transactions.

4.2.3. *Data requirements*

48. *Each information obligation consists of a range of different information that the businesses shall provide in order to be able to comply with the information obligation – these are the data requirements.*

49. Data requirements comprise the information that is required in the individual obligations, for example, in connection with reporting in a schedule.

Examples of data requirements

Identity of business, VAT registration number on forms, VAT payable etc.

4.2.4. *Administrative activity*

50. *The time and resource consumption that the businesses use in providing the information that is necessary in order to comply with a given data requirement, is measured by analysing the administrative activities in the individual businesses.*

51. Box 2 shows which administrative activities that, *e.g.*, are associated with the data requirement “liabilities” in connection with the information obligation “submission of audited annual accounts”:

Box 2. Examples of administrative activities

In connection with the data requirement “liabilities”, the following administrative activities in the businesses are associated:

- gathering of information
- registration of the information
- insertion of the information in a digital or physical form
- checking of the information

4.2.5. *Cost parameters*

52. In order to calculate the resource consumption in connection with an administrative activity, it is necessary to identify the cost parameters that are associated with the activity.

53. Cost parameters are the expense variables that are associated with the individual administrative activities.

54. The cost parameters that are included in the Standard Cost Model measurement, are shown in Box 3:

Box 3. Cost parameters

Internal cost parameters:

- Time
- Hourly rate
- Overhead

External cost parameters:

- Time
- Hourly rate
- Acquisitions

4.2.6. *Domestic currency to be used for measurements*

55. The results of the RTA should permit international comparisons of administrative burdens to be undertaken but the results should also be useful to the countries undertaking the measurements. Each participating country is to measure the administrative burdens in their domestic currency. This will ensure that the results are relevant to the domestic audience. In addition, to make sure that the outcomes can be compared it's important that the cost parameters are expressed in the same currencies. The OECD secretariat will be responsible for converting measurements in domestic currencies into a common currency for the purposes of comparison.

4.2.7. *The normally efficient business*

56. The fundamental concept – and unit of measurement – of a Standard Cost Model analysis is the *normally efficient business*. This is understood to mean businesses within the target group that handle their administrative tasks in a normal manner. In other words the businesses handle their administrative tasks neither better nor worse than may be reasonably expected. The intention with the Standard Cost Model is thus to identify general contexts that can be traced directly back to political regulation. The Standard Cost Model measurement does not, therefore, include businesses that, for various reasons, are either particularly efficient or inefficient.

57. The normally efficient business is found by conducting interviews in a number of typical businesses within the target group with possible external advisors that deal with outsourced tasks for the businesses, and possibly other experts. The objective of the interviews is to find out how much time the businesses use on the individual activity that is associated with a data requirement. A check is made to see that there is consistency in the businesses' answers. If this is *not* the case, more business interviews are conducted until it is possible to ascertain standardised time consumption associated with the administrative activities for the normally efficient business.

4.2.8. *Involved parties in a Standard Cost Model measurement*

58. A Standard Cost Model measurement is based on a high degree of involvement by a range of different people who, in different ways, have detailed knowledge of the rules to which the businesses are subjected and how compliance with these rules is effected in the businesses. In this way it is ensured that the measurement's quantitative and qualitative results are constantly assessed and validated. The work of implementing a SCM measurement is often undertaken by consultants. The measurement should however, also be carried out with extensive involvement of the following persons:

59. *Practitioners in the businesses:* The practitioners in the various businesses who, in the capacity of their daily work, have developed expert competence in relation to how their business deals with the various administrative duties. They are therefore able to contribute with crucial information regarding the extent of the administrative costs in the businesses. It is these persons who constitute the target group for the business interviews that are conducted in connection with Phase 2.

60. *Professional bodies/industrial organisations:* In addition to involving the businesses it is important to involve their professional organisations in the work, as they also possess wide knowledge of how their member businesses deal with the administrative activities.

61. *Professional experts:* Professional experts with considerable insight into the sector in question that is the subject of a Standard Cost Model measurement would be relevant to involve. In the case of a measurement involving the Presentation of Accounts Act it was, for example, a case of auditors, while within the fisheries sector consultants have been involved who work closely on a day-to-day basis with the fishermen. These experts have as their ongoing task in the procedure, the critical assessment of the gathered data and helping towards, for example, ensuring that the defined cost parameters are as true and fair as possible.

62. *Relevant ministries:* The relevant ministries are an important resource in the Standard Cost Model measurement, as it is the ministries that possess the detailed knowledge of the structure of the rules. It is therefore important to involve the relevant ministries in the different Phases of the measurement, *e.g.*, in connection with validation of the legislation, the breakdown of it, the bringing to light of populations and frequencies, as well as in connection with the identification of relevant segmentation variables.

4.3. What to measure?

4.3.1. *Business*

63. 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. For the purposes of the first survey as part of the Red Tape Assessment, the nature of the business – the 'for hire' trucking sector has already been defined. However, for future use of the methodology it is essential to have a clear and unambiguous generic definition of what a business is.

Definition of business:

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.

4.3.2. Regulation

Definition

64. 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.

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.

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

66. 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.

International rules implemented in national legislation are measured

67. All national business-related regulation with information obligations is included in the measurement. Also included are international rules and conventions to the extent they are implemented in national legislation as well as EU Regulations.

'Voluntary' rules are measured

68. 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.

69. 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.

Full compliance

70. The SCM measures the costs that regulation incurs as it is followed to the letter. ABs are estimated on the basis of full compliance with the law.

5. THE RED TAPE ASSESSMENT STEP BY STEP

71. Implementation of a standard cost analysis for a given area of regulation requires a detailed knowledge of the standard cost method and the circumstances prevailing in the ministerial sphere to which the area of regulation belongs.

72. The analysis itself can be divided into four main Phases with a number of subsidiary steps. These are summarized in Box 4 and then described step by step. As the RTA project has a different point of departure than the national SCM measurements some steps have been moved to an earlier Phase in the analysis. In addition, due to the aim(s) and project management of the RTA project, new steps have been included, *e.g.*, reporting to the OECD secretariat.

Box 4. Phases

Phase 0. Start-up

- Step 1: The national business sector and the events are explored and described.
- Step 2: Every country associates the pre-identified information obligations (benchmarking indicators), with the specific national regulations and rules, *e.g.*, Appendix 2. The necessary demarcations are carried out. Start-up meetings attended by the responsible ministry, the consultants and any other relevant parties are recommended. Countries are welcome to suggest other information obligations that might be considered internationally comparable.
- Step 3: A report sheet for Phase 0 is to be sent to the OECD-secretariat (Appendix 3) by each participating country.
- Step 4: Phase 0 is concluded with agreement in the steering group/participating countries on the set of benchmarking indicators to proceed in Phase 1.

Phase 1. Preparatory analysis

- Step 1: The information obligations are then broken down into data requirements and relevant administrative activities are identified. An explanation of the activities in words and as a kind of flowchart will be part of the reporting in Phase 1. In addition, data requirements are to be classified by origin and level (specific or general). Countries are free to select further information obligations to be part of the national measurement.
- Step 2: The relevant business segments are identified.
- Step 3: Identification of population, rate and frequency.
- Step 4: Clarification of which information obligations are to be assessed by means of business interviews and which will have time consumption estimated later by means of expert assessment.
- Step 5: The relevant cost parameters are identified.

- Step 6: An interview guide is prepared for use in interviews.
- Step 7: An expert review of steps 1-6 is carried out.
- Step 8: A report sheet for Phase 1 is to be sent to the OECD-secretariat (Appendix 4) by each participating country. A copy of the national interview guide should also be sent to the OECD secretariat.
- Step 9: Phase 1 is concluded by a meeting in the steering group/participating countries in order to reach agreement on the national breakdowns.

Phase 2. Analysis of time consumption and costs in businesses

- Step 1: Typical businesses from the legislation's target group are selected for interview.
- Step 2: The businesses are interviewed.
- Step 3: Standardization of time and resource consumption per activity per business segment.
- Step 4: An expert review of steps 1 to 3 is carried out.
- Step 5: The validated data are extrapolated to a national level.
- Step 6: Phase 2 is concluded by sending a predefined report sheet to the OECD-secretariat (draft report example in the text).

Phase 3. Analysis, benchmarking and presentation by the OECD secretariat

- Step 1: The data set is entered into a data structure.
- Step 2: Data analysis and benchmarks are carried out.
- Step 3: Draft report will be send out to the steering group/participating countries for commenting.
- Step 4: A final report is presented to the Working Party (September 2006).

5.1. Phase 0 – Start up

73. Before the analysis can be properly started, it is necessary to clarify what has to be analysed. This means that the business event and business sector must be properly described. As part of the preconditions for the RTA benchmarking, this has to be agreed upon before starting the process. In addition, a set of benchmarking indicators (information obligations) will be selected that are supposed to be cross country comparable and central to the selected events. This is the out-set for Phase 0.

5.1.1. Step 1: Exploring the national business sector and business event.

74. Each country should start by exploring the national business sector and business events in order to describe its characteristics and possible differences in regard to other countries. As part of finalizing phase 0 every country should submit a qualitative description on the national characteristics of the road freight sector and the general legislation related to the two events. This should give knowledge on general aspects and if sector differs significantly across countries, which is important for comparative reasons.

5.1.2. Step 2: Associating benchmarking indicators (information obligations) with national regulations

75. The related regulation must be identified. This includes clarification of whether all the parts of the selected regulation fall within the scope of the standard cost analysis; see the definitions in section 4.3.

76. Initial screening leaves the set of rules to be included in the analysis. It is important, however, to document which rules have been eliminated by screening and why, including if and how any borderline cases have been handled.

77. After having made initial explorations, every country should associate the suggested benchmarking indicators (information obligations) with national rules and legislation. This is a crucial exercise in order to get at set of comparable information obligations that can be used to make relevant and valid cross country benchmarks.

78. Associating the benchmarking indicators with national rules and legislations should be based on detailed perusal of the actual text of the individual rules and paragraphs, the explanatory notes, relevant circulars and any guidelines. The related legislation that gives rise to administration on the part of businesses is identified in the course of this perusal.

79. As for the measurement on the road freight sector a draft example on the association between information obligations and relevant regulations is presented in Appendix 3. This example is based on Danish legislation², where the suggested benchmarking indicators are related to specific regulations and rules containing the information obligations in question.

80. Box 5 gives examples of a number of different information obligations.

Box 5. Examples of information obligations

- **Returns and reports:** This relates to returning and reporting information, e.g., tax deducted from income at source.
- **Applications for permission for or exemption from...:** This relates to all types of application for permission for or exemption from various activities, e.g., application for a license to sell spirits.
- **Applications for authorisation:** This relates to applications for authorisation to carry out certain activities, e.g., authorisation as a sewer contractor.
- **Notification of activities:** This relates to businesses having to notify the authorities of specific activities, e.g., notification of the transportation of dangerous cargo.
- **Entry in a register:** This relates to businesses having to be entered in a register or on a list, e.g., entry in the business register.
- **Carrying out inspections of...:** This relates to the business itself carrying out inspections of machinery and equipment that can represent a risk to health or the environment, or monitoring the conditions for employees. Inspections are normally carried out by certified organisations, e.g., drawing up a workplace assessment.

2. The example cannot be taken as final, but is primarily meant as a visual example on how to associate benchmarking indicators with regulation.

- **Applications for subsidies or grants for....:** This means the business applying for a subsidy or the like, e.g., a subsidy for job training.
- **Keeping commercial emergency plans and programmes updated, etc....:** This relates to the business keeping those documents required by the authorities up to date. It would include manuals and emergency plans, for example.
- **Cooperating with audits/inspections of....:** This relates to informing and assisting inspectors who carry out inspections of and auditing work for a business, or who visit a business in connection with enforcement of a regulation.
- **Statutory labelling for the sake of third parties:** This means, among other things, labelling products or installations with consumer information, e.g., energy labelling of domestic appliances.
- **Providing statutory information for third parties:** This relates to providing third parties with information (as distinct from labelling), e.g., a financial prospectus to accompany investment products.
- **Framing complaints and appeals:** This relates to submitting complaints about and (possibly later) appealing against a decision made by the authorities. This information obligation should only be analysed if it is characteristic of a normally efficient business to complain in the area in question.

81. The results are submitted to the responsible ministry or relevant businesses in the sector for validation.

82. It may also be a good idea to hold a start-up meeting with the responsible ministry/ministries. This provides an opportunity for important matters to be clarified, including what precisely is to be analyzed, how the analysis is to be carried out, a timetable for delivery of results, etc.

83. In so far that additional information obligations relevant for international comparisons should turn up, these can be suggested to the OECD secretariat.

Identification and demarcation with regard to related regulation

84. It is important in any standard cost analysis to clarify whether the administrative costs of an information obligation or data requirement are attributable to one or more rules. If the administrative costs are attributable to two or more rules, it is also vital to divide the costs between the various rules. This problem is illustrated in the two examples in the box below.

Examples of demarcation with regard to related regulation

Example 1:

The Financial Statements Act contains a requirement to the effect that annual accounts have to contain information on the company's turnover. This information must also be included in businesses' tax statements, a duty that follows from the fiscal requirements for accounts laid down in the Danish Tax Act. The same cost should not be measured twice, so it is reasonable to divide the costs of having to produce this information between the two laws.

Example 2:

The Danish Bookkeeping Act regulates the duty of commercial enterprises to record their financial transactions. The Act does not, however, require the information recorded to be submitted or the like, it just has to be possible to document that the transactions have been recorded. The recording of transactions does not therefore serve a direct purpose in relation to the Bookkeeping Act, but the information recorded is needed in all sorts of other contexts. The financial transactions recorded are, for example, used in processed form to prepare annual accounts, VAT returns, tax accounts, etc. Although these laws do not explicitly state that businesses must record their financial transactions, compliance with such rules is dependent on compliance with the requirements of the Bookkeeping Act. It is therefore reasonable to divide the costs arising from the Bookkeeping Act between it and the laws that make direct use of the information generated by recording financial transactions.

85. As the two examples show, the problem of dividing costs that involve several rules is relevant in two contexts.

86. To begin with, it is relevant in cases where two different rules require businesses to provide the same information. If demarcation with regard to other regulation is not done correctly, there is a risk in this situation of measuring the cost to businesses of producing the same information twice. In cases where two regulations require the same information, the cost of producing the information must *as a matter of principle* be divided equally between the two rules.

87. The problem is also relevant in cases where the requirements of one law or executive order provide a basis for compliance with data requirements or information obligations in other legislation. It is important to be aware that the first rule does not have to contain information obligations or data requirements, but can simply be about how businesses have to handle the work. The actual duty to make the information available to authorities or third parties will be formulated in another law. It is therefore vital that the link between the various rules can be identified.

Completion of step 2

88. At the end of step 3 there is a clear demarcation and definition of the area of regulation where administrative costs are to be measured. All benchmarking indicators (information obligations) will for each country have been associated with specific passages in national and international rules and regulations. If relevant for international benchmarking additional indicators will be suggested to the secretariat. The information on related regulation is integrated in the data set for the business-related laws and executive orders.

Completion of Phase 0

89. At the end of Phase 0 the business event must be properly described and a data set of the business related laws and executive order to be included in the analysis must be ready. The data set must be submitted to the responsible ministries (ministry) to validate that all related regulation is included in the analysis. Further business organisations might be involved in order to validate the benchmarking indicators selected.

5.1.3. Steps 3 and 4 – Reporting to the OECD and agreement on benchmarking indicators

90. Phase 0 will be ended by each country reporting to the OECD secretariat in the reporting sheet for Phase 0 (Appendix 3). Based on the information obtained from the report sheet the OECD secretariat will prepare the set of benchmarking indicators to be agreed upon by the steering group/participating countries. The final benchmarking indicators will make the basis for proceedings in Phase 1.

5.2. Phase 1 – Preparatory analysis

91. A large part of the work involved in carrying out a standard cost analysis is linked to the preparatory analysis, which precedes the actual collection of data. In short, the purpose of the preparatory analysis is to identify the data requirements in the relevant information obligations. Then the administrative activities to be performed by businesses in order to supply the required information have to be identified. The next step is to identify the relevant background variables. Finally, the business segments covered by the regulation are identified.

92. In the following this process is divided into nine steps. The process is continuous, however, with considerations and choices in the various steps having mutual relevance. It is therefore essential to think of the process as a whole.

93. It is also important to validate the information produced by the preliminary analysis on an ongoing basis. This means that the responsible ministries and relevant experts are involved during the whole process.

5.2.1. Step 1: Breaking down the rule into data requirements, administrative activities and classification by origin and level

Splitting up into data requirements

94. Once specific regulation and paragraphs have been associated with the single information obligations, the information obligations are broken down into data requirements. This is done by identifying all the data requirements in the regulation that go to make up the individual information obligation. There are many different data requirements – some will be very specific with regard to the concrete information obligation, while others will recur in different information obligations in various laws across the ministries. Box 6 illustrates a number of data requirements that occur in connection with various information obligations in regulation.

Box 6. Examples of typical data requirements

An information obligation may lay down requirements with regard to the following information, for example:

- Identity of business – name and business registry number, etc.
- Business's turnover/statement of turnover
- Statement of business's equity

Identification of administrative activities

95. Once the information obligations are broken down into data requirements, the next task is to identify the administrative activities that businesses have to go through in order to comply with the individual data requirement. These will be finally validated during interviews with businesses at step 2, Phase 2. The identification of administrative activities is based on 16 standard administrative activities, see Box 7. It is important to make an independent decision on which administrative activities are linked to the individual data requirement.

Box 7. Standard administrative activities

1. Familiarisation with the information obligation. The resource consumption of businesses in connection with familiarising themselves with the rules for a given information obligation.
2. **Information retrieval.** Retrieving the relevant figures and information needed to comply with a given information obligation.
3. **Assessment.** Assessing which figures and information are necessary for the public authorities to accept the report.
4. **Calculation.** Performing the relevant calculations needed for the public authorities to accept the report.
5. **Presentation of figures.** Presenting the calculated figures in tables or the like.
6. **Checking.** Checking the calculated figures, e.g., by reconciliation with other data.
7. **Correction.** If the business's own checks reveal errors in the calculations, corrections are made afterwards.
8. **Description.** Preparation of description, e.g., the directors' report in the Danish Financial Statements Act.
9. **Settlement/payment.** Payment of tax, charges or the like.
10. **Internal meetings.** Meeting held internally between the various personnel groups involved in complying with the information obligation.
11. **External meetings.** Meetings held in cases where compliance with the information obligation requires meetings with an auditor, lawyer or the like.
12. **Inspection by public authorities.** Businesses must assist external inspectors when they carry out their inspection at the business.
13. **Correction result from inspection by public authorities.** If the external inspection identifies faults/defects, corrections are made afterwards.
14. **Training, updating on statutory requirements.** Relevant employees must be kept up to date with rules that change frequently (at least once a year).
15. **Copying, distribution, filing, etc.** In some cases the report is copied, distributed and/or filed in order to comply with the information obligation. It may also be necessary to store the information obligation with a view to subsequent production in connection with an inspection.
16. **Reporting/submitting information.** In cases where compliance with an information obligation requires the submission of information on the business, the information must be sent to the relevant authority.

96. As regards the first administrative activity, the resources used by businesses to familiarize themselves with the information obligation, it is linked to the actual information obligation, while the rest of the administrative activities are linked to the individual data requirement.

97. The identification of the relevant administrative activities is intended to help give an idea of the process that businesses have to go through in connection with each data requirement. In the interview situation itself it is also easier for businesses to relate to specific administrative activities when they have to specify the resources they use. This results in more valid measurements of the administrative costs, as businesses do not have to look at a whole body of laws to the same extent, but just relate to quite specific administrative activities.

Classification of data requirements by origin

98. In order to provide an overview of where the administrative costs of businesses originate from, data requirements have to be classified in five main categories depending on their origin:

- Category A regulation – Data requirements that are exclusively and completely a consequence of EU rules and other international obligations. In this case, the international rules stipulate which information must be provided by businesses and how this should be done. In this situation a national government department has limited, or no influence³, over the administrative burdens in the short term.
- Category B regulation – Data requirements that are a consequence of EU rules and other international obligations. The purpose will be formulated in the international rules, while implementation (including formulation of the specific data requirements) will be left to the member states. The international rules do not describe which information businesses have to produce.
- Category C regulation – Data requirements that are exclusively a consequence of rules formulated at national level. Both the information obligation and its implementation are laid down at national level.
- Category D regulation – Data requirements that are a consequence of federal rules and obligations. The purpose will be formulated in the federal rules, while implementation (including formulation of the specific data requirements) will be left to the states. The federal rules do not describe which information businesses have to produce.
- Category E regulation - Data requirements that are exclusively a consequence of rules formulated at the sub-national level (for example, as a result of state or provincial regulation in federal states). Both the information obligation and its implementation are laid down at sub-national level.

99. Usually the ministries are the most competent for carrying out the classification, since they have the most profound knowledge of the origin of their regulation. However, due to different circumstances some countries have chosen to let the consultancy firms carry out the classification.

3. Limited influence should be understood in relation to the immediate sphere of influence. An international context does offer opportunities for reducing the administrative burdens, of course, but it has to be done in consultation with the international community.

100. The classification can take place when the breakdown of the legislative material has been finalised and should be completed when the reporting of Phase 1 begins.

Classification in general and specific legislation

101. In addition it should be classified in how far the data requirements originate from general or specific legislation. This is a specific element in the RTA measurements as the point of departure is on business events and not a legislative area.

102. General legislation is legislation that is not specifically aimed at the businesses that have been identified for the business events. For example tax legislation will be a general prerequisite for business and not just related to the road freight sector. This classification should take place in order to raise awareness of the potential population, as the population will be larger than just the road freight sector. This will impact on both the reel size of the cost as well as the possibilities for simplification. Simplification of general legislation might therefore imply, in total, a larger cost reduction than the cost measured. At the same time it must be taken into account that simplifications of general legislation benefiting *e.g.*, the road freight sector might not have the same positive effect on other businesses or parties regulated.

103. Specific legislation is legislation that is only aimed at the business identified for the business events. This could for example be the data requirements regarding a permit for carrying out road freight. In this situation the measurements would cover the reel population and costs.

104. Usually the ministries should be the most competent for carrying out the classification, since they have the most profound knowledge of the target groups of their legislation.

Completion of Step 1

105. Once the related regulation has been broken down into data requirements and administrative activities, the breakdown must be validated by the responsible ministries (ministry). In addition all information obligations that go beyond the agreed benchmarking indicators should be identified and nationally agreed upon.

5.2.2. Step 2: Identification of relevant business segments

106. In step 2 businesses have to be classified into relevant segments. In other words, businesses have to be segmented according to the criteria that affect the scope of resources used to comply with information obligations and data requirements.

107. The relevance of criteria depends to a large extent on the rule involved. If the rule affects all types of business, it may be relevant to segment according to industry or size if these criteria are judged to be significant variables. A lot of legislation is industry specific, however, in which case the segment is specified in advance in that it will consist of the industry in question. With some legislation a business's turnover or number of employees, for example, determines whether the business is covered or not and which of the rules it has to comply with.

108. If a digital solution has been made available for reporting an information obligation, it will always be relevant to segment according to whether the business reports digitally or manually.

109. Similarly, it will be relevant to distinguish between businesses that have opted to outsource the task, *i.e.*, use external assistance to perform the task to a large extent, and businesses that do the work themselves.

110. If the size of business (number of employees) is not judged to be a significant variable, segmenting should not be done by size. Even if segmenting is not done according to the size of businesses, it should be made sure, as far as possible, that when selecting businesses for interviews businesses of different sizes are included in the analysis.

111. It may be “tempting” to segment on the basis of a number of different variables. Any attempt to capture the complexity in full will, however, soon result in the method breaking down because it is case based. Because complexity increases as more and more factors are included in the analysis, such an attempt would very quickly lead to measurements having to be carried out in far too many business segments. It is therefore essential to achieve a sensible balance between the degree of segmentation, optimization of benefits and resource consumption in the project. It is necessary to focus on those factors that are judged to be most important when it comes to identifying differences in the administrative costs of businesses. The number of segments will vary from time to time, and will depend on a concrete assessment in relation to the specific information obligation. The decisions made on what to include and what not to include in the measurement must be well founded and should also be documented so that it will be possible to reproduce the results of the analysis at a later stage.

Completion of Step 2

112. Involved parties agree on the segmentation and the information is integrated in the data set. The final segmentation will be agreed upon by the steering group and participating countries as part of concluding Phase 1.

5.2.3. Step 3: Obtaining background information – population, rate and frequency

113. In step 3 figures have to be obtained for population, rate and frequency.

114. All regulation has a population. The population indicates how many businesses are affected by the regulation or how often an action has to be carried out *e.g.*, applying for a permit. As regulation can affect several business segments – as identified in step 2 – populations have to be identified for each segment. As the RTA project puts focus on the road freight sector, this is the population in question for the measurement. In addition the population type for each pre-identified information obligation has been suggested, see Appendix 2.

115. The businesses in each segment comply with a number of information obligations. A population has to be specified for each information obligation. In this case the population indicates the number of businesses in the segment that comply with the specified information obligation. If an information obligation can be reported both manually and digitally, the population for each of the two options also has to be specified.

116. Each information obligation contains a number of data requirements. These do not have a population specification, but a **rate**. The rate indicates the proportion of businesses complying with the information obligation that comply with the given data requirement. Where appropriate the rate of businesses affected by a law can be found through the actual population figure.

117. A population is generally the number of businesses affected by a given piece of legislation. It is important to be aware, however, that a population can also be an event: *e.g.*, the number of annual applications or reports.

118. Because the figures from the population specifications are used at step 14 to extrapolate the standardized resource consumption per business when complying with a rule, it is important for the population to be as accurate as possible.

119. There are also a number of **precautions** to be taken when identifying populations. It is, for example, important to ensure that only private businesses are included in the population. Many information obligations affect public, private and civil units, so it is necessary to eliminate those parts of the population that do not constitute private businesses.

120. **Frequency** indicates how many times a year a data requirement/information obligation has to be complied with. In some cases the frequency can be derived directly from the legislation. In certain instances there may be an information obligation/data requirement that all businesses have to report, but to a varying extent. This applies to a number of statistics such as Intrastat and commodity sales statistics, for example. It is also important to be aware that some information obligations are not required every year – this applies to a range of statistical information, for example. The frequency for such obligations will therefore be 0.5 if the statistic has to be reported every other year and 0.33 if it has to be reported every three years, etc.

121. When identifying population, rate and frequency, it is important to remember the starting point ‘full compliance’ (see section on compliance).

122. There are several different sources that can be used to determine population, rate and frequency:

- The ministries have information on how many inspections have been carried out, how many applications have been received, how many businesses have been registered for a certain circumstance, etc.
- Information can be taken from statistical material. It is, for example, only possible to calculate the administrative costs of maternity leave on the basis of statistics regarding the number of instances of leave in the private sector.
- In some cases it may be necessary to carry out a survey in order to identify the number of business affected by a certain law, or the ratio of businesses that employ a certain option in the law. If it is a matter of certain businesses dealing with an information obligation themselves while others outsource it, it may also be necessary to carry out a survey in order to establish what proportion of businesses outsource, and what proportion of businesses handle the task themselves.
- If it is not possible to obtain the necessary information, the solution may be to make a qualified estimate of the information in question. It may, for example, be very difficult to find out how many businesses have a duty to inform their customers in connection with an agreement (*i.e.*, an information obligation in relation to third parties), particularly because this will depend on how many customers the businesses have in total. It may therefore be necessary to make an estimate.

123. Whatever the method used, it is import to document the source of the information so that the information can be reproduced in the same way at a later date. Specifically in situations where an estimate has been made, it is essential to document the criteria for the estimate.

Completion of step 3

124. The information on the populations, rates and frequencies are incorporated in the data set. This information must be validated by the responsible ministries, which also have to identify any information that is missing.

125. The process of identifying population, rate and frequency can take a long time. Therefore, it does not have to be completed during Phase 1, since the information will not actually be used until extrapolation is carried out in Phase 2. It is essential, however, to identify which information obligations affect the most businesses so that this information can be included in considerations regarding what the business interviews should focus on, see step 4 regarding clarification of what should be calculated by means of business interviews and expert assessment respectively.

5.2.4. Step 4: *Businesses interviews vs. expert assessment*

126. The basic assumption in a standard cost analysis is that everything has to be evaluated. This also applies to information obligations that might only be relevant for a small number of businesses or that only involve very minor administrative activities for the individual businesses.

127. Not all information obligations must necessarily be evaluated by means of business interviews, however. Information obligations that only cover a very small number of businesses and minimal administrative costs can, for example, be quantified using other methods. This includes expert assessment, in which specialists with considerable knowledge of the field in question are involved in quantification of the administrative costs for a normally efficient business. An alternative would be to make use of the extensive data gathered in the business interviews conducted in Phase 2. Based on this data, it will often be possible to quantify less burdensome information obligations by comparing them with similar information obligations analyzed by means of business interviews.

128. It is difficult to produce unambiguous criteria for when a less burdensome information obligation can be evaluated using either expert assessment or existing data. A concrete appraisal has to be made in each case, but it is important to emphasize that it must be made clear which information obligations and data requirements are being selected for later evaluation. The data structure stipulates that the consultants must make a note in the database to show which information obligations have been analysed not by means of interviews, but on the basis of similar existing data/expert assessment.

Completion of step 4

129. The information on which information obligations will be measured by business interviews and which will be measured by expert assessments is incorporated in the data set. The criteria on which the division between interviews and expert assessment is based must be made clear and validated by the responsible ministries.

5.2.5. Step 5: *Identification of cost parameters*

130. The task in step 5 is to identify the relevant cost parameters of businesses for the work involved in complying with individual data requirements, see Box 8. This applies to both cost parameters within the business and cost parameters relating to work done by external advisers, etc. The work involved in this step mainly consists of making sure that the relevant cost parameters of businesses are identified before the interviews are conducted in step 2, Phase 2. It is these interviews that finally establish which employee groups perform a given administrative activity.

Box 8. Cost parameters for administrative activities

| Cost areas | Cost parameters in the calculation |
|---------------------|--|
| Internal | Number of minutes spent on administrative activity |
| | Mean hourly pay for various personnel groups that perform administrative activities |
| | Overhead |
| External | Number of minutes spent on administrative activity |
| | Mean hourly pay for various personnel groups that perform administrative activities |
| Acquisitions | Expenditure on necessary acquisitions to comply with specific information obligations and/or data requirements |

Internal personnel groups

131. The internal personnel groups are the employee groups within the businesses that perform the administrative activities. The tariff (that is wage rate) of these groups are based on the average wage statistics for the various occupation groups from the national Statistic Office. It is suggested that at least the following occupation groups are used: senior management, manager/professional, administrative staff and drivers/workers.

Overhead

132. An overhead of 25% must be used unless specific circumstances suggest otherwise. The overhead for the individual employee represents costs in addition to direct pay costs. The overhead covers costs in connection with fixed administration costs, such as expenses for premises (rent or building depreciation), telephone, heating, electricity, IT equipment, etc. The overhead also includes absence owing to illness, since the hourly pay used to calculate administrative costs should, as far a possible, be the hourly pay per effective hour.

133. As there is no central statistical source that can throw light on overheads for all industries and sizes of business, it is difficult to specify an overhead percentage that is both generally applicable and accurate. In cases where the consultants suggest that the guide overhead of 25% is nowhere near the overhead costs that they encounter for the personnel groups performing the administrative activities, they must estimate the overhead percentage themselves.

External personnel groups

134. 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 the regulation. 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.

Acquisitions

135. Acquisitions are defined as acquisitions that are necessary in order to comply with an information obligation or data requirement and are used solely for that purpose. The costs of such an acquisition are included as a cost parameter in administrative burdens alongside internal and external pay costs.

136. Examples of an acquisition might be the postage for letters sent in order to comply with an information obligation or data requirement, *e.g.*, the costs involved in sending in annual accounts. Another example might be the cost of purchasing and installing a meter to enable the business to take a reading for subsequent reporting. A third example might be the cost of purchasing external administrative services that cannot be converted directly into hours. Examples of this include costs connected with external payroll administration for which a fixed annual charge is payable. This cost cannot be broken down into a specific number of hours spent by the external supplier.

137. The costs are calculated per year. Where an acquisition has a service life of several years – *e.g.*, a meter – a fixed annual cost equivalent to the total cost divided by expected service life is specified for the acquisition. After a certain number of years it is assumed that a new meter will be purchased – if this is the type of acquisition involved – on the same terms.

138. As the examples illustrate, the costs must be incurred solely to enable the business to comply with a specific information obligation/data requirement. A business may well need an Internet connection in order to comply with a digital reporting duty, but because the connection is also used for many other purposes, the costs of the connection are not included directly in the measurement. They are, however, included indirectly through the overhead.

Completion of step 5

139. The administrative activities are split up into a number of cost parameters that can be evaluated by ministries etc.

5.2.6. Step 6: Preparation of interview guide

140. The purpose of an interview guide is to ensure uniform, accurate data collection which ensures that all the information to be used for calculations in the database is gathered with the greatest possible precision.

141. It is also important for the interview guide to be structured in such a way that the interviewees can answer the questions as precisely as possible, allowing the interview to be conducted efficiently.

142. In addition to the collection of quantitative data at activity level, it is important that the interview sheds light on qualitative aspects as well so that such information can be included in subsequent reporting. It is, for example, important to gather knowledge concerning:

- Proposals for rule simplification
- Irritation burdens
- Best practice in businesses
- Whether businesses use the information in other contexts (for example demarcation in relation to other legislation)

- Whether businesses just prepare information for the government or whether they also use it themselves (for example the terms administrative burdens and administrative costs)

143. It is important for the interview guide to give businesses the opportunity to make suggestions with regard to rule simplification and digitalization initiatives within the information obligations in question. It is also important to note how businesses perceive given regulation, particularly if an information obligation is regarded as especially irritating/onerous.

144. An important element of the interviews also consists in acquiring knowledge of efficient ways of handling the administrative work, *i.e.*, best practice. Such knowledge can subsequently be used to advise other businesses on what they can do themselves to reduce the costs of the administrative work.

145. In connection with the interviews it is also important to ascertain whether the information to be provided by businesses is only used to comply with the information obligation in question or whether it is also used in other contexts. This would include reporting to other ministries, counties and local authorities. The information obtained in this way will have to be coordinated with the demarcation of legislation carried out in Phase 0.

Completion of step 6

146. The interview guide is ready and agreed upon by all involved parties.

5.2.7. *Step 7: Carrying out an expert review of steps 1 – 6*

147. In this step the results of the preliminary analysis have to be submitted to the reference group. The reference group is made up of trade organizations that have knowledge of and are in contact with the area being charted. There should also be participants from the responsible ministries.

148. It is the task of the various experts to use their expertise and detailed knowledge to assure the quality of the process from step 1 to step 6 and offer criticism and fine-tuning wherever necessary. It is particularly important that major methodical and technical choices for and against should be submitted to the reference group. It is then important for all the parties to reach agreement so that the results from steps 1-6 can be approved so as to provide the basis for proceeding to Phase 2.

Completion of Phase 1

5.2.8. *Steps 8 and 9 – Reporting to the OECD secretariat and agreement on national breakdowns*

149. Based on the material that is produced continuously in connection with Phase 1, the countries have to draw up a status report for the work in Phase 1 that describes the implementation of steps 1-6, including how the work of identifying business-related laws and executive orders was done, which information obligations and data requirements are important, which administrative activities are relevant and, not least, the segmentation of businesses, etc. A draft report sheet for Phase 1 is presented in Appendix 4.

150. The status report is sent to the OECD. The OECD will summarize all status reports and present during a meeting of the steering group the most important differences. During that meeting it is decided if countries have to make changes in the choice of method, demarcation, segmentation, etc. Once any such changes have been implemented, Phase 1 is complete.

5.3. Phase 2 – Analysis of time consumption and costs in businesses

151. Based on the preparatory analysis in Phase 1, the task in Phase 2 is to gather empirical data from interviews with a selection of typical businesses affected by a given piece of legislation. The overall task is thus to fill in all the “cells” in the data structure for the individual segments with standardised figures for each information obligation, data requirement, administrative activities and cost parameters. This is done on the basis of between three and five in-depth qualitative interviews with typical businesses in each of the identified segments.

5.3.1. Step 1: Selection of typical businesses for interview

152. Businesses can be selected for interview in several ways. In the case of an information obligation where the target group is easy to define and where a large proportion of the target group is judged in advance to be affected, one option is to take a random sample and start to contact the businesses to arrange an interview. When it comes to screening the businesses for interview, the businesses can be asked a few questions with a view to gaining an indication as to whether it is typical of the target group. It is also possible to use this initial contact as an actual survey, with the businesses being asked about outsourcing, IT use or other matters that are judged significant with regard to the business’s resource consumption in complying with an information obligation.

153. In some cases it will be difficult to find sufficient affected businesses using the above method. Here it may be advantageous to make use of the often very concrete information held by the responsible ministry on the individual businesses covered by the given information obligation. In such situations it will be possible for the responsible ministry, working in cooperation with those overseeing the survey, to write to some of the affected businesses and “warn” them that they are going to be phoned by a firm of consultants with a view to arranging an interview.

154. The selection of businesses should result in it being possible to implement qualitative interviews with between three and five typical businesses in each business segment. This will provide an insight into the resource consumption of a normally efficient business with regard to the information obligation in question.

155. While one business can logically only cover one segment with regard to a given information obligation, the same business can be interviewed about other information obligations within the legislative area by which it is affected.

156. Consideration should also be given to whether external experts can be involved in connection with assessing the administrative costs for a normally efficient business. With an external expert it is possible to cover several business segments at once with regard to a given information obligation. An accountant, for example, will often be able to assess the administrative costs for a number of business segments. The assessments made by external experts must never be used in isolation, however.

Completion of step 1

157. A plan has been drawn up regarding how to identify the businesses that need to be interviewed and how many typical businesses should be interviewed. All parties nationally involved must approve the plan.

5.3.2. Step 2: Conducting business interviews

158. Using qualitative interviews with businesses that are affected by the legislation, it is possible to identify which of the 16 standard administrative activities a business has to carry out in order to comply with a data requirement and how much time is spent on each activity. This makes it possible to evaluate the individual data requirements that make up an information obligation. In some cases it will not be possible for the business to say how long it spends on each activity. In such cases it may be necessary to ask how much time is spent on complying with the actual data requirement and how that time is divided between the administrative activities that are carried out in order to comply.

159. The interviews will also make it possible to validate the information obtained with regard to time, wages, outsourcing, etc.

160. Implementing the interviews with businesses is a task that requires experienced interviewers with fundamental knowledge of the method and area of legislation. The interviewers must use the interview guide, see step 6, Phase 1, and the interview itself should take the form of a qualified dialogue between the business and the interviewer.

161. There are basically three types of methods for interviewing businesses:

- **Personal interviews** with businesses are the preferred method for identifying the administrative costs of regulation. The interviews typically last 1-2 hours for each business, but this can vary depending on the complexity of the area of legislation in question. In the case of complex areas of legislation it may also be an advantage to have two interviewers.
- **Telephone interviews** with businesses can be used in cases where only the costs of isolated information obligations have to be identified and where the interview may be expected to last less than half an hour.
- **Focus group interviews** with a small number of businesses and relevant experts may be an option in the case of highly complex legislation. The discussions of the focus group can, for example, help to analyse complex information obligations correctly, including the administrative activities that a normally efficient business has to carry out and how long they take.

162. Specifically with regard to personal interviews and telephone interviews, it is important for the interviewers to be sure both during and after the interview that the business interviewed can still be described as typical as far as resource consumption is concerned. The business does not necessarily have to be typical in all areas, but if it is not normally efficient in a number of areas, the data for it should not be included in the data material. It is difficult to set out clear criteria for when a business is not normally efficient, but resource consumption that is substantially different from that specified by other businesses *without* there being a good explanation for the discrepancy must be regarded as not meeting the criteria for a normally efficient business. If a business is excluded from the data material, it must be replaced with a new business, which will have to be interviewed.

163. Box 9 shows how the time consumption for a normally efficient business is calculated, and illustrates whether a business can be described as normally efficient or not.

Box 9. Calculation of time consumption for a normally efficient business

| Administrative activity A: | | | | Administrative activity B: | | | |
|----------------------------|---------|-------------------|-----------|----------------------------|-----------|--|--|
| Company 1 | 10 min. | } 10 min. | Company 1 | 10 min. | } 15 min. | | |
| Company 2 | 10 min. | | Company 2 | 20 min. | | | |
| Company 3 | 10 min. | | Company 3 | 10 min. | | | |
| Company 4 | 10 min. | | Company 4 | 20 min. | | | |
| Company 5 | 30 min. | | Company 5 | 15 min. | | | |
| Administrative activity C: | | | | Administrative activity D: | | | |
| Company 1 | 10 min. | } More interviews | Company 1 | 10 min. | } 20 min. | | |
| Company 2 | 20 min. | | Company 2 | 20 min. | | | |
| Company 3 | 50 min. | | Company 3 | 25 min. | | | |
| Company 4 | 2 min. | | Expert 1 | 20 min. | | | |
| Company 5 | 5 min. | | Expert 2 | 15 min. | | | |

164. As far as activity A is concerned, business 5 is clearly different from the others and therefore should not be counted as a normally efficient business. There is no need to carry out further interviews, however. In the case of activity B, the consultants have assessed what the level for a normally efficient business should be. Further interviews will have to be conducted with regard to activity C because the answers given by the businesses vary too much for it to be possible to assess the level for a normally efficient business. In this case consideration should also be given to whether the businesses selected are not typical or whether it is simply because specific circumstances mean that the businesses have different resource consumption. In this case the segmentation carried out as part of the preparatory analysis should be reconsidered and, if necessary, further segmentation carried out, resulting in more business interviews. In the case of activity D an expert assessment should be made of what the level is for a normally efficient business.

Completion of step 2

165. All the data that are needed on time and costs are available from the interviews and are ready to be implemented.

5.3.3. Step 3: Standardization of time and resource consumption per activity per business segment

166. When all the interviews have been carried out, the results have to be summarised for the individual business segments. Based on the interview material, an assessment must be made of how long it takes a normally efficient business to carry out the various administrative activities required to comply with a data requirement for a given information obligation. Then the business's internal costs and costs for external assistance are calculated.

167. In other words, based on the information provided by the businesses in the interviews, the consultants have to make a qualitative assessment of how long businesses spend on each individual administrative activity connected with compliance with a data requirement. This should make it possible to insert a standardized figure in the data template. It is important in this context to make a critical assessment of the individual results and decide which results are most reliable. It goes without saying that this is a time-consuming process in which it is important to document the individual considerations on which each choice is based.

168. The approach does not entail calculating a mean average uncritically on the basis of the data collected. Instead a standardized figure has to be set on the basis of the data collected and any expert assessments.

Completion of step 3

169. All the cells in the data structure are filled in with relevant standardized entries for time consumption both internally and externally. A burden forecast can now be produced.

5.3.4. Step 4: Carrying out an expert review of steps 1 till 3

170. The process and purpose for this step are the same as for step 7, Phase 1. That is, to make sure that the reference group, the affected parties and experts assure the quality of the collected data.

5.3.5. Step 5: Scaling the validated data up to national level

171. Once the standardized data have been approved by the reference group, the validated data material has to be scaled up to national level for each individual segment in the analysis. This is generally done by multiplying the standardized time and resource consumption (time x pay costs (inc. overhead)) for a normally efficient business in a segment by the population of the segment. The results are then combined. The figures produced include:

- the total costs for each segment of complying with each information obligation;
- the total costs to businesses in the road freight sector of complying with the information obligation; and

Completion of Phase 2

5.3.6. Step 6: Reporting to the OECD

172. The last step is to present the outcomes in a report and send this to the OECD. 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 data requirements 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 report⁴ includes, as a minimum, the following basic information for each information obligation and its related data requirements:

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

- 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

173. Below a preliminary example of a report sheet is given. The final report sheet will be agreed with the steering group and participating countries.

Example of report sheet⁵

| No. | Art. | Information obligation/ requirement | data | Population | Rate | Tariff per hour | | Time | | Frequency Per year | P (Pi+Pe) | Q | $\Sigma(Pi+Pe)*Q$ |
|-----|------|--|------|------------|------|-----------------|---|---------------|---------------|-----------------------|--------------|---|-------------------|
| | | | | | | I | E | Per hour I | Per hour E | | | | |
| | | LAW X | | | | | | | | | | | |
| | | Description information obligation A | | | | | | | | | | | |
| 1 | | Data requirement A1 | | | | | | | | | | | |
| 2 | | Data requirement A2 | | | | | | | | | | | |
| 3 | | Data requirement A3 | | | | | | | | | | | |
| | | Description information obligation B | | | | | | | | | | | |
| 4 | | Data requirement B1 | | | | | | | | | | | |
| 5 | | Data requirement B2 | | | | | | | | | | | |
| 6 | | Data requirement B3 | | | | | | | | | | | |
| 7 | | Data requirement B4 | | | | | | | | | | | |

5.4. Phase 3 – Analysis, benchmarking and presentation by the OECD

5.4.1. Step 1: Data is entered into a data structure

174. The OECD will collate the data collected by each country and prepare a database on the characteristics and costs of the administrative burdens relating to the sectors under study. The data collection will be done in accordance with a predefined data structure. This data structure should be agreed upon by the steering group/participating countries well in advance to Phase 2.

5. The report sheet will be adjusted according to reporting needs of the RTS project. The report sheet is expected to include acquisitions etc. The final report sheet will be agreed with the steering group and participating countries.

5.4.2. Step 2: Data analysis and benchmarking

175. The OECD will also prepare an analytical report which will present the results, benchmarks and compare country practices. The analytical report will analyse the reasons for cross-country differences in administrative burdens and this information can then be used by the participating countries to identify best practices in burden reduction opportunities.

5.4.3. Step 3: Draft report for commenting

176. A draft report will be sent to the steering group and participating countries for initial comments and fact checking.

5.4.4. Step 4: Presentation of final report at the Working Party

177. The report will be discussed by the Working Party for Regulatory Management and Reform. This discussion will ensure that the project and its results are embedded in broader regulatory governance context, and that results are disseminated and discussed among peer experts.

178. Parallel to the Red Tape Assessment project, the Working Party leads a number of qualitatively oriented projects on administrative simplification policies, regulatory alternatives, and broader regulatory quality efforts. The Working Party also offers a unique forum of policy-makers and experts in which results and lessons can be disseminated and discussed among peers. Such discussions are often instrumental in translating analysis and observations into concrete activities. The Working Party has historically taken a leading role in developing and disseminating good practices in other regulatory quality “disciplines” such as RIA and the evaluation of regulatory policies.

179. Overtime, if the project continues, it will be possible to establish time-series data on administrative burdens. This information could be used to evaluate the effectiveness of various burden reduction policies and strategies – thereby providing more information on best practices in reducing administrative burdens.

6. PROJECT MANAGEMENT

6.1. Introduction

180. This section describes the project management structure of the Red Tape Assessment.

181. Effective project management will be essential to the success of the project. Co-ordination between the Secretariat and participating countries is necessary to ensure the comparability of the data produced. The management structure will also ensure that there are sufficient opportunities and pathways for consultation to take place amongst participating countries. Continual consultation will help improve the quality and reliability of the data collected and will provide a mechanism for information to be disseminated between participants.

6.2. The steering group

182. Overall project guidance is provided by a steering group composed of member countries and representatives from the Business and Industry Advisory Committee to the OECD and the Trade Union Advisory Committee to the OECD. This group is responsible for:

- Providing comments and guidance on key elements of the project;
- Selecting the specific focus of the first survey;
- Acting as a ‘clearing house’ for methodological choices made during the project;
- Monitoring progress; and
- Adjudicating on any disputes which may arise during the project.

6.3. The OECD Secretariat

183. The OECD Secretariat will be responsible for the on-going administration of the project. This will involve:

- Drafting descriptive material and benchmarking manual;
- Supporting the Steering Group;
- Monitoring the data collection progress;
- Analysing and presenting the results of the study;
- Propose general time table and deliveries; and
- Being a first point of contact for participating countries should any questions or problems arise.

184. The RTA benchmarking manual including appendices makes up the framework for carrying out the first RTA measurement in the road freight sector. The steering group and the participating countries will have to agree on the overall framework in order to proceed with project.

185. As part of the securing general progress and methodological consistency in the RTA project reports to the secretariat on Phase 0, Phase 1 and Phase 2 are expected from the participating countries. The reporting sheets will form the basis for data collection and informing the steering group/participants on results and progress. Further this information will inform decisions relating to the following Phases. Throughout the whole project the steering group will in this way be informed about progress and will be involved in order to make the necessary methodological choices.

186. In addition, a time table has been presented in Appendix 6 as for every participating country to be aware of main deadlines and deliveries throughout the project. As part of the initial information to be delivered by participating countries, a time schedule for the national part should be presented.

187. A mentor programme has been set up as way to secure direct knowledge transfer and consistent measurements. The programme is described in detail later on in this section.

188. Finally the OECD secretariat will organise a start-up meeting for all participating countries in the end of 2005. The meeting is expected to go through the overall framework such as the time frame, deliveries, and project management issues. Further emphasis will be put on the methodological and technical aspects such as getting started with Phase 0, general methodological questions and challenges. This should provide participants with a common ground for getting started. In addition the start-up meeting will also give the opportunity for participants to meet face-to-face which might be especially relevant for counterparts in the mentor programme.

6.4. The participating countries

189. Each participating country will be responsible for measuring administrative burdens based on the RTA benchmarking manual produced by the Secretariat and approved by the project's Steering Group. This could involve hiring consultants to carry out the actual measurements and interviews with businesses. Countries would also be responsible for funding the measurement of burdens in their respective countries.

6.4.1. Organisational set up and involving different parties in the measurements

190. Based on the experiences for countries that have already or are about to carry out SCM measurements different parties are usually involved, because these people have detailed knowledge of the legislation in question in one way or another. This is a way to ensure that the measurements quantitative and qualitative results are assessed and validated. It is up to each country to choose how to organise the measurements for the RTA project.

191. In order to secure anchorage and progress involvement of different levels of competencies is advisable. Both high level decision makers as well as the people carrying out the day-to-day aspects of the project should be somehow involved in the different stages of the project.

Single contact person/ coordinating unit

192. Each participating country must nominate a single contact point for the project. Such a single contact point should be located within the coordinating unit that is responsible for the national timetable, budget and coordination. At the beginning of the project every participating country will be asked to send the OECD secretariat national contact information including a time schedule for the national proceedings (Appendix 5).

Reference group

193. As part of securing progress and commitment a reference group should be set up. Such a group might include representatives from relevant governmental departments, from business organisations, from businesses, consultants and the coordinating unit. The reference group could apart from following the measurements also continuously validate the results of the measurements.

Ministries

194. Ministries make up an important resource for the measurements as it is the department that knows in detail the structure of the rules. As experts in a certain field of legislation they might be involved in different stages of the measurements *e.g.*, in the breakdown of the legislation, finding the population, identification of relevant segmentation, frequencies and validation of legislation. Further the competencies of relevant ministries will often be needed in order to classifying regulation as to its origin (ABCDE categorization) and level (specific/general).

Consultants

195. Consultants may be used to carry out actual measurements which would include *i.e.*, breaking down the legislation, preparing interview guides, carrying out the interviews, making appointment with the interviewees

Practitioners in the businesses

196. The practitioners of businesses are the ones knowing how their business deals with administrative task, because it is their day to day work. These people would be essential in order to get data on the administrative costs in the businesses and should therefore be the target group for the interviews to be conducted in Phase 2.

Professional bodies/industrial organisations

197. Professional bodies might be involved as they often have a broad knowledge on the administrative practises of their member businesses.

Professional experts

198. Professional experts are persons having a considerable insight into a certain sector or administrative practise. This could be the case where certain administrative tasks are outsourced to *i.e.*, accounts. Further such experts could help validating defined cost parameters.

6.4.2. Getting the process going

199. As part of finding the appropriate national organisational set-up a set of questions might give some idea of what stakeholders or structures to put in place. Due to the nature of the RTA project a lot of different stakeholders might turn up either because they have an interest in the subject or possess valuable information. As for all projects a good organisation and division of responsibility will enhance progress in accordance with the time schedule set up. Answering, or at least considering, the questions in Box 10 will help determine the organisation at the national level and get the process moving:

Box 10. Questions to address the national organisation

Who is overall responsible for contact and deliveries to the OECD secretariat?

Who should do the actual measurements? (Consultants, ministries, coordinating unit etc.)

Who needs be informed about the project?

How and when to inform relevant parties? (National start-up meetings, reference group etc.)

How and when to get what deliveries?

Who is best to validate the national data quality?

Who can best tell the time used on certain administrative activities?

Who should validate the standardizations?

Who can tell the origin and level of the legislation?

Who knows the business sector in general?

7. MENTOR-PROGRAMME

7.1. Introduction

200. The mentor programme makes available the skills and experience of people who have themselves already measured administrative burdens in accordance with the standard cost model.

201. The mentor programme is designed to provide participants with little or no knowledge of actually carrying out measurements on administrative burden via SCM with help to identify and overcome obstacles. This should enhance direct knowledge transfer and ensure consistency in the measurements. The mentors are experienced SCM people, all of whom have volunteered their considerable expertise.

7.2. Role of the mentor

202. The aim with the mentors is to act as coaches, not consultants. They should not take the place of professional consultants. The mentor should help to focus and should help with specific advice in regard to the measurements and organizational set-up.

203. The mentor should:

Point out strengths and weaknesses in the proposed national measurement approach;

Give guidance on methodological issues and questions;

Give advice on organisational set-up if requested;

Give examples from own experience and own national RTA measurement; and

Brief the secretariat on major methodological issues arising during the process.

7.3. How the programme works

204. Based on the interest in the mentor programme the OECD secretariat will match mentors and mentored. One basic ground rule should be in the forefront during the whole project, saying that time should be respected by all parties. Meaning that the involved parties should as far as possible be well prepared in advance of both dialogue and meetings. The relationship between the mentor and mentored should be open, friendly, honest and professional.

205. The main contact between the relevant parties participating in the mentor programme is supposed to be via e-mail and telephone.

206. Further it is suggested that a set of meetings or coaching days are arranged for. First of all it is suggested that the relevant parties involved in the mentor-programme take part in the start-up meetings arranged by the OECD-secretariat by the end of 2005. This should be a forum to discuss basic challenges and solve initial questions related to the RTA project and measuring via the SCM. It will also be possible to discuss and solve any questions that might arise in Phase 0. In addition it creates an opportunity for counterparts to meet face-to-face.

207. During Phase 1 and Phase 2 it is suggested that meetings or coaching days are agreed. It could be 2 x 3 days on site coaching, where the mentor coaches on *i.e.*, breaking down the legislation, identification of population, preparing an interview guide, standardization, validation of data etc. However, at the beginning of the mentor-programme the parties should agree on the specific practical arrangements for all project Phases, including the number of actual meetings/coaching days, expected frequency of contact, contact persons, other expectations etc. It must be remembered that the mentor is not a professional consultant and under the terms of the program, should not become actively involved in the day-to-day management or assume the role of executive in the project.

208. Costs of the mentor-programme will be born by the participating countries only.

209. The secretariat should be regularly briefed by the mentor on methodological issues coming up that have an impact on the overall methodology or on the final benchmarking possibilities. The secretariat will then, if necessary, prepare a note to the steering group and participants in order to get an agreement on a methodological solution. The secretariat will send out information to all participants on methodological adjustments in order to secure consistency and coherence of the measurements.

210. The secretariat will evaluate the mentor-programme when the first measurements are finished.

APPENDICES TO THE RTA MANUAL

APPENDIX 1. DRAFT BENCHMARKING TOPICS

Generic list of benchmarking topics

1. Total cost per event/national currency
2. Total cost per event/OECD standardisation
3. Total cost per information obligation/OECD standardisation
4. Total time per event
5. Total time per information obligation
6. Time per event/per business
7. Time per information obligation/per business
8. Cost per event/per business (OECD)
9. Cost per information obligation/per business (OECD)
10. Amount of ABCDE legislation
11. Amount of specific vs. general legislation
12. Top three of burdensome information obligations/time/per business
13. Top three of burdensome information obligations/OECD cost
14. Top three of burdensome information obligations/per country
15. Digital reporting/per information obligation
16. Cost of acquisitions
17. Thresholds
18. Outsourcing

Specific list of benchmarking topics for the RTA project on ‘Hiring a worker’ and ‘operating a vehicle’ in the Road freight sector

- Number of permits
- Time/cost per truck
- Number of businesses
- Domestic vs. international orientation/cost or time per business

APPENDIX 2. DRAFT BENCHMARKING INDICATORS – BENCHMARKING INDICATORS (INFORMATION OBLIGATIONS) SUGGESTED FOR THE RTA IN THE ROAD FREIGHT SECTOR

Hiring a worker

- Registering an employee as a taxpayer. **Population:** Number of hired workers per year.
- Issuing a letter of employment. **Population:** Number of hired workers per year.
- Reporting information on taxes. **Population:** Number of hired workers per year.
- Reporting information on pension. **Population:** Number of hired workers per year.
- Reporting on holiday pay. **Population:** Number of hired workers per year.

Operating a vehicle

- Applying for national permit to conduct road freight transport. **Population:** Number of applications per year.
- Applying for renewal of national permit to conduct road freight transport. **Population:** Number of applications per year.
- Registering a vehicle. **Population:** Number of registrations per year.
- Registering of weight. **Population:** Number of registrations per year.
- Applying for international permit to conduct road freight transport. **Population:** Number of applications per year.
- Providing information on hours of service. **Population:** Number of transports per year.
- Applying for a permit to operate a block car. **Population:** Number of applications per year.
- Applying for a permit for special transport.⁶ **Population:** Number of applications per year.
- Applying for a permit for the transport of dangerous goods. **Population:** Number of applications per year.
- Keeping information in the vehicle during transport of dangerous goods. **Population:** Number of transports of dangerous goods per year.

6. Special transports are transports exceeding size and/or weight limits set in relevant legislation.

APPENDIX 3. DRAFT REPORT SHEET PHASE 0

Example of report sheet for Phase 0

| Phase 0 report sheet: Hiring a worker | | | |
|--|-------------------------------|--|--|
| Topic: Hiring a worker | | | |
| EU/ international legislation | Relevant national laws | Information obligations | Comments |
| | | Registering the employee as a taxpayer | |
| | | Letter of employment | |
| | | Report information on tax | |
| | | Report information on pension | |
| | | Reporting on holiday pay | |
| | | | |
| | | | |
| | | | |
| | | | |
| Phase 0 report sheet: Suggestions | | | |
| Topic: Hiring a worker | | | |
| EU/ international legislation | Relevant national laws | Information obligations | Describe why this information obligation has a comparative value: |
| | | | |
| | | | |
| | | | |
| | | | |

| Phase 0 report sheet: On the road 1 | | | |
|---|------------------------|---|---|
| Topic: Keeping a vehicle on the road for a year - Permit to operate | | | |
| EU/ international legislation | Relevant national laws | Information obligations | Comments |
| | | Applying for a national permit for road freight transport | |
| | | Applying for renewal of permit for road freight transport | |
| | | Registration of weight | |
| | | Registration of vehicle | |
| | | | |
| | | | |
| Phase 0 report sheet: Suggestions | | | |
| Topic: Keeping a vehicle on the road for a year - Permit to operate | | | |
| EU/ international legislation | Relevant national laws | Information obligations | Describe why this information obligation has a comparative value: |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

| Phase 0 report sheet: On the road 2 | | | |
|---|------------------------|---|---|
| Topic: Keeping a vehicle on the road for a year - Permit to operate internationally | | | |
| EU/ international legislation | Relevant national laws | Information obligations | Comments |
| | | Applying for international permit to conduct freight transport. | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| Phase 0 report sheet: Suggestion | | | |
| Topic: Keeping a vehicle on the road for a year - Permit to operate internationally | | | |
| EU/ international legislation | Relevant national laws | Information obligations | Describe why this information obligation has a comparative value: |
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| Phase 0 report sheet: On the road 3 | | | |
|--|------------------------|--|---|
| Topic: Keeping a vehicle on the road for a year - Hours of Service | | | |
| EU/ international legislation | Relevant national laws | Information obligations | Comments |
| | | Providing information on of hours of service | |
| | | | |
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| Phase 0 report sheet: Suggestions | | | |
| Topic: Keeping a vehicle on the road for a year - Hours of Service | | | |
| EU/ international legislation | Relevant national laws | Information obligations | Describe why this information obligation has a comparative value: |
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| Phase 0 report sheet: On the road 4 | | | |
|---|------------------------|--|---|
| Topic: Keeping a vehicle on the road for a year - Special transport | | | |
| EU/ international legislation | Relevant national laws | Information obligations | Comments |
| | | Applying for a permit to operate a block car | |
| | | Applying for a permit for special transport | |
| | | | |
| | | | |
| | | | |
| | | | |
| Phase 0 report sheet: Suggestions | | | |
| Topic: Keeping a vehicle on the road for a year - Special transport | | | |
| EU/ international legislation | Relevant national laws | Information obligations | Describe why this information obligation has a comparative value: |
| | | | |
| | | | |
| | | | |

| Phase 0 report sheet: On the road 5 | | | |
|---|------------------------|---|---|
| Topic: Keeping a vehicle on the road for a year - Dangerous goods | | | |
| EU/ international legislation | Relevant national laws | Information obligations | Comments |
| | | Applying for a permit for the transport of dangerous goods | |
| | | Information required to be in the vehicle during transport. | |
| | | | |
| | | | |
| | | | |
| Phase 0 report sheet: Suggestions | | | |
| Topic: Keeping a vehicle on the road for a year - Dangerous goods | | | |
| EU/ international legislation | Relevant national laws | Information obligations | Describe why this information obligation has a comparative value: |
| | | | |
| | | | |
| | | | |

A draft example of a filled-out phase 0 report sheet (based on Danish legislation)⁷

| Phase 0 report sheet: Hiring a worker | | | |
|---|-------------------------------|--|-----------------|
| Topic: Hiring a worker | | | |
| EU/ international legislation | Relevant national laws | Information obligations | Comments |
| | C.a. no. 869 of 12/08/2004 | Registering the employee as a taxpayer | |
| Comm. Dir. 91/533 | C.a. no. 692 of 20/08/2002 | Letter of employment | |
| | C.a. no. 869 of 12/08/2004 | Report information on | |
| | C.a. no. 887 of 24/08/2004 | Report information on pension | |
| | C.a. no. 407 of 28/05/2004 | Reporting on holiday pay | |
| Phase 0 report sheet: On the road 1 | | | |
| Topic: Keeping a vehicle on the road for a year - Permit to operate | | | |
| EU/ international legislation | Relevant national laws | Information obligations | Comments |
| | C.a. no. 108 of 09/06/2004 | Applying for a national permit for road freight transportation | |
| | C.a. no. 108 of 09/06/2004 | Applying for renewal of permit for road freight transport | |
| | C.a. no. 978 of 04/12/2003 | Registration of weight | |
| | C.a. no. 977 of 02/12/2002 | Registration of vehicle | |
| Phase 0 report sheet: On the road 2 | | | |
| Topic: Keeping a vehicle on the road for a year - Permit to operate internationally | | | |
| EU/ international legislation | Relevant national laws | Information obligations | Comments |
| Convention on the Contract for the International Carriage of Goods by Road (CMR), of 19 May 1956 Council res. No. 94/4 On Road goods transport | C.a. no. 602 of 09/09/1986 | International permit to conduct freight transport. | |

7. The filled out report sheet is only to be considered as a preliminary example.

| Phase 0 report sheet: On the road 3 | | | |
|--|-----------------------------|---|----------|
| Topic: Keeping a vehicle on the road for a year - Hours of Service | | | |
| EU/ international legislation | Relevant national laws | Information obligations | Comments |
| Council reg. 3821/85 Council reg. 3821/ 85 Council reg. 3572/90 Comm reg. 2479/95 Comm reg. 1056/97 Comm reg. 2135/98 Comm reg. 1360/2002 Comm reg. 432/2004 | C.a. no. 688 of 29/06/2005 | Providing information on hours of service | |
| Phase 0 report sheet: On the road 4 | | | |
| Topic: Keeping a vehicle on the road for a year - Special transport | | | |
| EU/ international legislation | Relevant national laws | Information obligations | Comments |
| | C.a. no. 1172 of 03/12/2004 | Application for a permit to operate a block car | |
| | C.a. no. 1172 of 03/12/2004 | Applying for a permit for special transport | |
| Phase 0 report sheet: On the road 5 | | | |
| Topic: Keeping a vehicle on the road for a year - Dangerous goods | | | |
| EU/ international legislation | Relevant national laws | Information obligations | Comments |
| European Agreement concerning the International Carriage of Dangerous Goods by Road (ADR), of 30 September 1957 and: | C.a. no. 437 of 06/06/2005 | Applying for a permit for the transport of dangerous goods | |
| Council dir. 94/55 Council dir 2000/61 Comm. dir. 2003/28 Council dir 95/50 | C.a. no. 437 of 06/06/2005 | Information required to be in the vehicle during transport. | |

APPENDIX 4. DRAFT REPORT SHEET PHASE 1

| | | | | | | | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Subject: | | | | | | | |
| Benchmarking indicator/ information obligation: | | | | | | | |
| All related legislation: | | | | | | | |
| Will measurement be undertaken through business interviews or expert assessment? | | | | | | | |
| 1. Please specify a list of the data requirements: | | | | | | | |
| <i>Please indicate the origin of the legislation containing the data requirements (A, B, C, D, E), and whether it is general or specific to the trucking sector by clicking the appropriate boxes below for each data requirement.</i> | | | | | | | |
| List of data requirements: | A | B | C | D | E | General | Specific |
| • | <input type="checkbox"/> |
| • | <input type="checkbox"/> |
| • | <input type="checkbox"/> |
| • | <input type="checkbox"/> |
| • | <input type="checkbox"/> |
| • | <input type="checkbox"/> |
| • | <input type="checkbox"/> |
| • | <input type="checkbox"/> |
| 2. Explanation of international information obligation in activities | | | | | | | |
| <i>Below a detailed description in activities of the information obligation under survey here:</i> | | | | | | | |
| | | | | | | | |
| 3. National implementation | | | | | | | |
| <i>Below a detailed description in activities and visualization of the national implementation of the international information obligation:</i> | | | | | | | |
| | | | | | | | |
| 3.1 Thresholds and exemptions for target groups (if any): | | | | | | | |
| | | | | | | | |
| 3.2 Is the regulation in question general or specific for the road freight sector? | | | | | | | |
| | | | | | | | |
| 3.3 Describe the process of complying with the information obligation in a flow chart: | | | | | | | |
| | | | | | | | |
| 4. Describe the criteria for segmentation (Any deliberations on the criteria for segmentation used in phase 2 are most welcomed): | | | | | | | |
| | | | | | | | |
| 5. Other relevant remarks: | | | | | | | |
| | | | | | | | |

Filled-in Phase 1 report sheet example (From benchmarking exercise between Poland and the Netherlands on the transport sector)⁸

| | | | | | | | |
|--|---|-------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|-------------------------------------|
| Subject: | Community license for passenger transport (In RTA terms: e.g., Hiring a worker) | | | | | | |
| Benchmarking indicator/ information obligation: | License application for international transport with touring cars and buses (In RTA terms: e.g., Employment letter) | | | | | | |
| All related legislation: | 98/76 & 96/26 & 11/98 & 684/92 (In this case it is EU legislation) | | | | | | |
| Will measurement be undertaken through business interviews or expert assessment? | | | | | | | |
| 1. Please specify a list of the data requirements: | | | | | | | |
| <i>Please indicate the origin of the legislation containing the data requirements (A, B, C, D, E), and whether it is general or specific to the trucking sector by clicking the appropriate boxes below for each data requirement.</i> | | | | | | | |
| List of data requirements: | A | B | C | D | E | General | Specific |
| • Name, address, city of residence, license plates and signature | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| • Annual account with an audit certificate report of actual connections concerning the minimum presence of risk-bearing capital. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| • Examination office for professional transport (SEB) or EC-declaration, given by the ministry of transport, public works and Water management. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| • | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| • | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| • | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| • | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| • | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Explanation of international information obligation in activities | | | | | | | |
| <i>Below a detailed description in activities of the information obligation under survey here:</i> | | | | | | | |
| <p>For exercising international road passenger transport a Community license is needed. For the application of a Community license the applicant must:</p> <ul style="list-style-type: none"> ▪ Fill out the tender requirements (application form). ▪ Show that he/she possesses a entrepreneur license for collective passenger transport or coach services. For this, the entrepreneur shall: <ul style="list-style-type: none"> ▪ Be of good repute. ▪ Be of appropriate financial standing. ▪ Satisfy the condition as to professional competence. <p>To keep a Community license, the good-repute requirement, the requirement of appropriate financial standing and the requirement of professional competence should be proofed at least once every 5 years.</p> | | | | | | | |

8. This example is taken from the Dutch – Polish benchmarking report (Benchmark Transport Meeting: Poland – the Netherlands, Warsaw September 2, 2005). It should be noted that this should be seen as a general illustrative example on reporting, although this specific example has not been carried out as part of the Red Tape Assessment Project.

3. National implementation

Below a detailed description in activities and visualization of the national implementation of the international information obligation:

For exercising international road passenger transport a Community license is needed. To obtain a community license, one must obtain a National license (only valid for national transportation) for which applies the same application requirements as described above. Both licenses (National and Community) can be applied for at the same time and on the same application form.

A detailed description of each step in the process is given below, followed by a visualization of the process in a graph.

Ad 1. Fill out the tender requirements (application form)

The application form can be asked for at the Transport and Water Management Inspectorate. To obtain a license one has to fill out the application form and one has to meet requirements that will be described in the next paragraphs. The tender requirements are based on EU-legislation. One requirement however is added: the applicant must produce a list with the license plate registrations of all company buses.

When transporting passengers by bus on a regular basis on a regular route within Europe, an additional license must be applied for. The tender requirements to produce, are:

- A time table of services.
- Tariffs.
- An official stamped copy of the Community license.
- Any specialties.
- A map with official route, drop off/pick-up places.
- A travelling schedule, which will give the opportunity to check the drive and rest times.

Ad 2a. Obtain proof of good repute

To obtain proof of being of good dispute a declaration of good dispute must be shown. To obtain this declaration, an application for the declaration must be sent to the municipality where the company is residing together with a letter from NIWO stating that the declaration is really needed. The municipality will then send the application to Central Organization Declaration Concerning Repute (COVOG), which will then judge the application and give (or refuses) the declaration. When applying for a Community license the declaration may not be older than 3 months.

Ad 2b. Obtain proof of good financial standing

To obtain a proof of appropriate financial standing, the company must produce (1) a financial statement with a detailed balance sheet signed by an accountant or (2) a detailed report in a format that is given by the accountants' organization National Institute For Register Accountants (NIVRA) and Dutch Order for Accountants-Administration consultants (NOvAA). The minimum risk caring company capital should be € 36.302 plus € 4.992⁹ per vehicle, with a minimum of € 45.378 for a license for one vehicle.

Ad 2c. Professional competence

To satisfy the condition concerning professional competence, the entrepreneur needs to have a diploma given by the (Foundation Examination office for Professional Transport (SEB). The exam will consist of the following modules: Company management, Financial management, Truck management, Personnel management, Calculation and a specific course (Taxi, bus, road haulage or international road haulage).

The total cost of the exams are approximately € 300,-. Training for the exams will take 8 full days. The person that is in charge on a daily basis must satisfy the condition concerning professional competence. If more than one person is in charge, at least one must satisfy the condition. Other ways of proofing professional competence are:

- A declaration from an authorized institution that the requirement from 96/26 has been met.
- Proof that the company had a license for transporting groups on 1 January 1982.

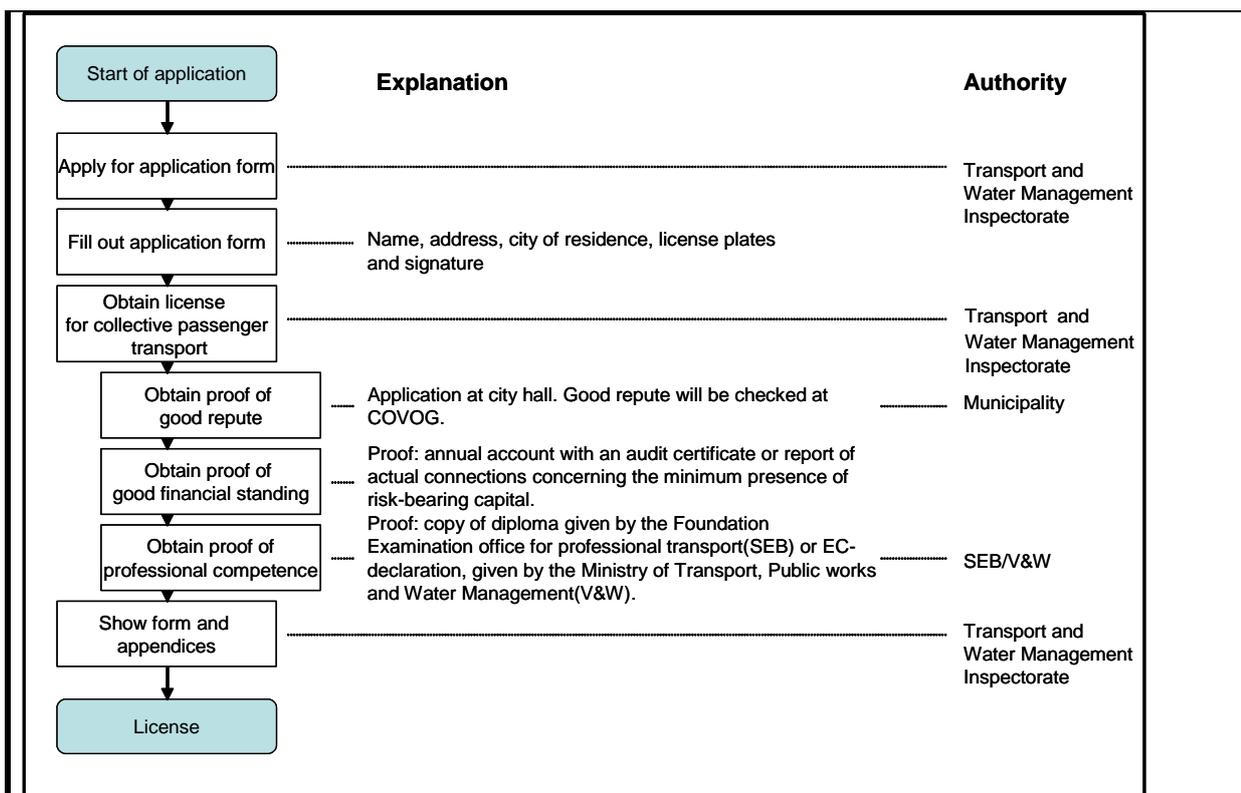
To keep a Community license, the good-repute requirement, the requirement of appropriate financial standing and the requirement of professional competence should be proofed at least once every 5 years.

3.1 Thresholds and exemptions for target groups (if any):

(In this case there are no exemptions or thresholds)

3.2 Describe the process of complying with the information obligation in a flow chart:

9. This amount applies for vehicles registered after 1 October 1999. For vehicles registered before 1 October 1999 applies the amount of € 4.537.



4. Describe the criteria for segmentation (Any deliberations on the criteria for segmentation used in phase 2 are most welcomed):

5. Other relevant remarks:

Costs

National license (CPV): € 663,-.

Community license: € 322,-

Actualise license: € 17,- (also the price of every officially stamped copy of a licence).

APPENDIX 5. CONTACT SHEET FOR PARTICIPANTS IN THE RED TAPE ASSESSMENT PROJECT

COUNTRY: _____

1. Primary contact

Name:

Title and position:

Address:

Phone:

Email:

Secondary contact

Name:

Title and position:

Address:

Phone:

Email:

2. Ministries involved (Please specify which ones):

3. Other stakeholders involved (*e.g.*, business organisations):

4. Do you plan to undertake measurement through a consultant agency?

| Yes | No | Other |
|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

If other, please specify:

5. Do you wish to participate in the mentor program?

| Yes as a mentor | Yes as a mentored | No |
|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

6. Please describe your expectations of The Red Tape Assessment project (briefly):

7. Please provide a timetable, describing the various internal national deadlines you have outlined for the entire process (attach document if necessary):

APPENDIX 6. TIMETABLE FOR DEADLINES AND DELIVERIES IN THE RTA PROJECT

Timetable on the RTA on the Road freight sector

The following timetable indicates the deadlines and deliveries in the RTA project from participating countries to the OECD Secretariat. The time schedule follows what has earlier been agreed upon by the steering group. The OECD secretariat will during the process communicate the exact deadlines for the deliveries to the participating countries.

Time schedule

| Deadline | Main deliveries to the OECD secretariat |
|---------------------------------|--|
| 30. September | WP 2005 |
| 14. October | Indication of participation |
| Late October | Manual finalised |
| Early November | RTA starts in participating countries |
| | Sending the OECD contact information and national timetable |
| Mid-November | RTA start-up meeting (evt. Paris) |
| End December (before Christmas) | Report sheet to the OECD (Phase 0) |
| Early January 2006 | Agreement on steering group of benchmarking indicators (by e-mail) |
| Mid February | Report sheet to the OECD (Phase 1) |
| End February | Meeting in the Steering group (Phase 1) |
| Mid April | Report sheet to the OECD (Phase 2) |
| Late June | First draft report (Phase 3) |
| September | Working Party 2006 |