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**EU common methodology for  
assessing administrative costs  
imposed by legislation**

**Operational Manual**

(Annex 10 to "Impact Assessment Guidelines"  
of the European Commission SEC(2005)791)

[http://www.europa.eu.int/comm/secretariat\\_general/impact/docs\\_en.htm](http://www.europa.eu.int/comm/secretariat_general/impact/docs_en.htm)

## 10. ASSESSING ADMINISTRATIVE COSTS IMPOSED BY LEGISLATION

Whenever a measure is likely to impose significant administrative costs on business, the voluntary sector or public authorities, the model presented below must be applied<sup>1</sup>. The main aim of the model is to assess the net cost of information obligations imposed by EU legislation (net costs = costs introduced by a proposal if adopted, minus the costs it would eliminate at EU and/or national level). Services are also invited to apply the model on a tentative basis for assessing costs imposed on citizens. The possibility and need for monetisation in this case is left to their discretion.

Implementation will of course be subject to the principle of proportionate analysis (see Scope of application of the model and expected level of accuracy). The degree of detail in the assessment will depend on the availability of reliable and representative data (see Step 7 - Choice of data sources and, where necessary, development of data capture tool(s)). SG coordinates the optimisation of the model, notably on a learning-by-doing basis and through exchange of best practices with Member States (see 10.5).

### 10.1. Outline of the model

#### ***Definition of administrative costs***

Administrative costs are defined as the costs incurred by enterprises, the voluntary sector, public authorities and citizens in meeting legal obligations to provide information on their action or production, either to public authorities or to private parties. Information is to be construed in a broad sense, i.e. including costs of labelling, reporting, monitoring and assessment needed to provide the information and registration (see Box 1: Types of obligation). In some cases, the information has to be transferred to public authorities or private parties. In others, it only has to be available for inspection or supply on request.

Example: a regulation on air quality sets an obligation to keep a register of pollutant emissions and an obligation to meet an air pollution threshold. Keeping a register of pollutant emissions is an administrative cost, while action taken to meet an air pollution threshold is not. That type of compliance cost is sometime referred to as 'substantive cost' because the obligation affects the essence of the (industry) activity. Keeping a register does not entail in itself any obligation to change the production process, the nature of the end-products or the treatment of emissions. Meeting the pollution threshold will require a substantive change at these levels (for instance the installation of new filters).

Recurring administrative costs and, where significant, one-off administrative costs have to be taken into account.

In order to keep the model as simple as possible and to minimise subjective judgment in the assessment, no distinction should be made between 'pure' administrative obligation and good practice written in the law<sup>2</sup>.

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<sup>1</sup> see COM(2005)518 and the annexed Commission Staff Working Document SEC(2005)1329.

<sup>2</sup> 'Pure' obligation refers to what one would stop doing if the legal obligation was removed. This is for instance the case when enterprises are required to provide statistics that have no direct relevance for them. By contrast, some requirements set by law correspond to what an entity would normally do. Properly managed enterprises would have an accounting system, even in the absence of legal bookkeeping obligations. However delineating what an entity would 'normally' do is open to interpretation. The Commission has therefore decided to assess all legal obligations.

Where appropriate, caveats accompanying the assessment should list obligations that correspond to good practices. This information is important for policy-making because new legal obligations codifying good practices are by definition less burdensome for targeted entities and, conversely, a proposal suppressing 'pure' obligations will provide greater cost relief.

### **Core equation of the cost model**

Administrative costs should be assessed on the basis of the average cost of the required action (Price) multiplied by the total number of actions performed per year (Quantity). The average cost per action will be generally estimated by multiplying a tariff (based on average labour cost per hour including prorated overheads) and the time required per action. Where appropriate, other types of costs such as equipment or supplies' costs will be taken into account. The quantity will be calculated as the frequency of required actions multiplied by the number of entities concerned.

$$\Sigma P \times Q$$

where P (for Price) = Tariff x Time  
and Q (for Quantity) = Number of entities concerned x Frequency).

### **Net cost**

Many proposals aim at simplifying existing rules in general and reducing administrative costs in particular. Assessing the cost of an obligation made to enterprises to submit data on their turnover once a year may therefore be misleading. Examined in isolation, such proposal will always be perceived as an additional burden on enterprises. If it happens that the proposal's aim is to reduce the existing reporting frequency, this should be clearly flagged.

Assessing the net cost of information obligations imposed by EU legislation also has a major advantage in the perspective of sectoral estimates. The assessment of cumulative burden is complex, time consuming and costly. Once such estimate done, it is preferable to use a net approach in order to avoid the cost of having to repeat baseline measurements at regular intervals. It is also preferable because it provides real time indication on the amount of administrative costs imposed by legislation, contrary to baseline measurements conducted every 4 or 5 years. A database built on the assessment of net costs is by definition continuously updated.

### **Scope of application of the model and expected level of accuracy**

The effort of assessment should remain proportionate to the scale of the administrative costs imposed by the legislation. For administrative obligations requiring little equipment, if the amount of time per action is small and the frequency low, the obligation does not need to be quantified.

In order to keep assessment of costs at a reasonable level and ensure compatibility with national methodologies, estimates will be based on working assumptions simplifying the complex reality of the Union. These assumptions are presented together with step specific guidelines below.

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Besides caveats, the possibility to take that distinction into account through standard discounting ratios for some sectors or types of legislation will be examined as part of the optimisation of the model (see I.10.5).

## 10.2. Step by step guide

The application of the model can be divided in a number of steps. The entire workflow is summarised in Table 1 below, followed by a detailed description of each step's requirements<sup>3</sup>.

Table 1: Step by step application of the model

<b>Phase 1: preparatory analysis</b>	
Step 1:	Identification and classification of information obligations (e.g. certification of products) & data requirements (e.g. date of production and composition of the product)
Step 2:	Identification of required actions (e.g. training members and employees about the information obligations, filling forms)
Step 3:	Classification by regulatory origin (e.g. EU rule on certification is the transposition of an agreement of the World Trade Organisation)
Step 4	Identification of target group(s), also called segmentation (e.g. large enterprises that have to fulfil obligation 'A' and small enterprises that have to fulfil obligation 'B', the size of the enterprise being defined by its turnover)
Step 5	Identification of the frequency of required actions (e.g. small enterprises have to fill a form once a year)
Step 6	Identification of relevant cost parameters (e.g. particular relevance of external costs and equipment)
Step 7	Choice of data sources and, where necessary, development of data capture tool(s) (e.g. deciding that the number of entities concerned will be extrapolated on the basis of data available on Eurostat, but that the number of hours each need to perform required actions will be based on the results of interviews of enterprises; for the later task, preparation of an interview guide and selection of a representative sample of entities)
<b>Phase 2: data capture and standardisation</b>	
Step 8	Assessment of the number of entities concerned (e.g. 100.000 small enterprises)
Step 9	Assessment of the performance of a "normally efficient entity" in each target group, taking into account cost parameters identified in step 6. (e.g. enterprises have once a year to spend, on average, 25 hours of work by an engineer to gather information and 5 hours of work by a clerk to fill the annual form)
<b>Phase 3: calculation and reporting</b>	
Step 10	Extrapolation of validated data to EU level
Step 11	Reporting and transfer to database

<sup>3</sup> Assessment is an iterative process, where earlier steps may need to be revisited in the light of work undertaken later in the process. This is of course also true here.

## **Step 1 - Identification and classification of information obligations**

In order to facilitate reporting and the assessment of cumulative burden, services are asked to use the following typology on the nature of the administrative obligation. This list is inserted in the excel Report Sheet.

### *Box 1: Types of obligation*

1. Notification of (specific) activities (e.g. for transportation of dangerous cargoes)
2. Submission of (recurring) reports
3. Information labelling for third parties (e.g. energy labelling of domestic appliances)
4. Non labelling information for third parties (e.g. financial prospectus)
5. Application for individual authorisation or exemption (i.e. authorisation required each time a particular task has to be carried out; e.g. building permits)
6. Application for general authorisation or exemption (e.g. licence granting permission to engage in an activity such as banking or liquor selling)
7. Registration (e.g. entry in a business register or a professional list)
8. Certification of products or processes
9. Inspection (e.g. monitoring the conditions for employees)
10. Cooperation with audits
11. Application for subsidy or grant
12. Other

Distinguishing an obligation to provide information from other regulatory obligations is normally straight forward. There could however be a number of borderline cases where it is difficult to decide whether a rule falls within the scope of the model or not. It is important to ensure that such borderline cases are discussed and evaluated in the light of decisions taken in other similar areas so as to ensure consistency. This is why sectoral services (preferably horizontal units providing support for IA) are invited to report such cases to the service responsible for better regulation in the SG.

### *Box 2: Examples of borderline information obligations*

Costs induced by exercising a right to complain. These costs are not considered as an administrative burden by Member States quantifying administrative costs on the basis of the Standard Cost Model because there is no 'obligation' to complain.

Costs induced by inspection. The usual purpose of an inspection is to collect the information needed to verify compliance with legal obligations (review of corporate books, etc.). Ensuing costs are clearly administrative costs. However inspections are sometimes used to collect information unrelated to legal obligations (level of satisfaction of businesses, etc.). Submitting to such inspection is by definition voluntary and ensuing costs therefore fall outside the definition of administrative costs imposed by legislation.

Costs induced by policy assessment. Some EU programmes require Member States to draw up national reform programmes. Designing a reform programme is of course quite different from an obligation to provide information. However designing monitoring schemes, collecting data on the implementation of the policy, filling tables and submitting them to the Commission are clearly linked to information obligations. So policy design should not be considered as administrative burden, with the sole exception of policy assessment design.

## **Step 2 - Identification of required actions**

In order to facilitate reporting and the assessment of cumulative burden, services are asked to use the following typology on the type of required action (inserted in the excel report sheet).

### *Box 3: Types of required action*

1. Familiarising with the information obligation
2. Training members and employees about the information obligations
3. Retrieving relevant information from existing data
4. Adjusting existing data
5. Producing new data
6. Designing information material (leaflet conception...)
7. Filling forms and tables
8. Holding meetings (internal an external with an auditor, lawyer and the like)
9. Inspecting and checking (including assistance to inspection by public authorities)
10. Copying (reproducing reports, producing labels or leaflets)
11. Submitting the information (sending it to the relevant authority, etc.)
12. Filing the information
13. Other

## **Step 3 - Classification by regulatory origin**

In order to enhance transparency on who is responsible for what, the regulatory origin of administrative obligations needs to be identified. Three simple rules should be used for that:

1. if the obligation arises entirely from an authority that specifically states the way in which the obligation must be met, *attribute 100% of costs induced by the obligation to that authority.*
2. if the obligation set by an authority requires transposition by another authority and if the transposing authority limits itself to what is needed to meet the obligation, *attribute 100% of the costs to the authority which set the obligation.*
3. if the obligation set by an authority requires transposition by another authority and if the transposing authority goes beyond what is needed to meet the obligation, *attribute the % resulting from 'gold plating' to the transposing authority.*

Gold plating in the case of administrative obligations refers, among other things, to increasing the reporting frequency, the degree of precision or the list of target groups.

In the context of the Impact Assessment, services are only requested to determine costs originating from the international and EU levels, not those that may originate at national or lower levels. The reporting sheet (see Step 11 - Report) has been conceived to be used by EU institutions and Member State authorities, for (ex ante) assessment of proposed measures and (ex post) evaluation of existing legislation. If a national government decides to evaluate the administrative burden put on a sector in its country, it needs to account for purely national and regional obligations in addition to obligations of international and EU origins. By contrast, when the Commission assesses a possible measure, there is no point guessing what level of gold plating transposing authorities in each Member State might

introduce. The Commission only has to account for proposals transposing international obligations in the EU and those resulting from its own initiative. There is by definition no obligation of national or regional origin applying to the entire Union.

Example: the World Health Organisation has adopted a framework convention on tobacco control. The Community and the Member States, as signatories to the Convention, are bound by these international rules. Article 11 provides that information on emissions of tobacco products must appear on each package of tobacco products. It also provides that labels may include warnings in the form of pictures.

Supposing that the Commission envisages a measure obliging manufacturers to provide information on tobacco emissions as well as to print cancer pictures on each package, 100% of the costs induced by the first obligation will be attributed to the 'international' level, while 100% of the costs induced by the second obligation will be attributed to the 'EU' level. By imposing the inclusion of pictures, the EU would indeed go beyond what is needed to meet WHO obligations.

Particular attention should be paid to the references of the act at the origin of the obligation. In order to ensure optimal addition and comparison of data, all parties using the EU common methodology (Commission, European Parliament, Council) or contributing data (Member States at different levels of authority) will be asked to use the EU-Lex format. The enumeration order varies with the type of act<sup>4</sup> and it is therefore easier to make a 'cut and paste' of the reference given by the search engine ([http://europa.eu.int/eur-lex/lex/RECH\\_menu.do?ihmlang=en](http://europa.eu.int/eur-lex/lex/RECH_menu.do?ihmlang=en)) than list formatting rules.

For Commission proposals, EU-Lex will normally use the following format: "Proposal for a Directive of the European Parliament and of the Council on the exercise of voting rights by shareholders of companies having their registered office in a Member State and whose shares are admitted to trading on a regulated market and amending Directive 2004/109/EC, COM/2005/0685 final."

For an EU act transposing an international act, services will also provide the name and reference of that international act, as well as information on the transposition. They will fill the simple concordance table included in the report sheet. The table is made of two columns: the first column gives the reference of the article detailing the obligation assessed; the second column gives the reference of the 'original' obligation, i.e. the article of the act laying down the obligation transposed by the act being assessed.

#### **Step 4 - Identification of target group(s)**

As for the "target groups", it may be useful to distinguish between groups on the basis of their size, type or location. Size may be particularly pertinent for enterprises. It is indeed often the case that an obligation is more burdensome for small enterprises than for large ones.

Regulation often adjusts the type of information obligations according to a number of objective criteria (number of employees, turnover level, financial capacity of the citizens, etc.)

#### **Step 5 - Identification of the frequency of required actions**

The frequency indicates how many times a year an action is required. If, for instance, an information has to be submitted once a year, the frequency = 1; if it is every 6 months, the frequency = 2; if it is every three years, the frequency = 0,33; etc.

For one-off costs such as 'familiarising with the information obligation', the frequency is by definition '1' but for the first year only. In order to be able to assess the evolution of the

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<sup>4</sup> "Regulation (EC) No 2560/2001 of the European Parliament and of the Council of 19 December 2001 on cross-border payments in euro, Official Journal L 344, 28/12/2001 P. 0013 – 0016"; but "Council Regulation (EC) No 2580/2001 of 27 December 2001 on specific restrictive measures directed against certain persons and entities with a view to combating terrorism, Official Journal L 344, 28/12/2001 P. 0070 – 0075".

cumulative burden, it is necessary to distinguish recurring costs ('1' every year) and those that should be taken into account once only (at T1). Services will therefore put '1' in italics in the frequency column when reporting one-off costs.

In some cases, the frequency may vary in time. For instance, in a number of statistics regulations such as Intrastat, enterprises have to report if their dispatches are above a set threshold. Their level of intra-EU sales will therefore determine if they have to report or not. Here again, the advice is to keep things simple. If such fluctuations apparently concern a limited number of enterprises, they should not be taken into account.

### **Step 6 - Identification of relevant cost parameters**

The relevant cost parameters are of course deduced from the core equation (see Core equation of the cost model). It is assumed that the main costs induced by information obligations are labour costs. Where appropriate, equipments and supplies' costs will also have to be taken into account.

- The cost parameters for the *internal tariff* (administrative action carried by the targeted entity itself) are the number of hours spent on a specific action, the hourly pay of those performing the action and overhead.
- The cost parameters for '*internal equipment & supplies*' (i.e. acquired by the targeted entity to comply with the information obligation and solely used for that purpose) are the acquisition price and the depreciation period (service life of 'x' years).
- The cost parameters for the *external tariff* (administrative action contracted out) are the number of hours spent on a specific action and the hourly pay charged by the service provider (in this case, overhead and specific equipment & supplies costs are already included in the hourly pay).

If the time required is two hours, the number of hours = 2; if the time required is 30 minutes, the number of hours = 0,5; if the time required is 20 minutes, the number of hours = 0,33; etc.

Acquisitions of equipment and supplies used solely for meeting information obligations include post stamps, cover paper, printer cartridges and labelling machines.

The distinction between internal and external costs may be particularly important for policy design. For instance, if the objective pursued is to boost the competitiveness of a specific industrial sector, measures reducing internal costs will most likely be more effective. The industrial sector would immediately have more resources for direct investment. If reduction measures mainly concern external costs, the benefit will come when service providers (accountants, lawyers, ...) adjust their rates downwards. This adjustment however may take some time, because of information asymmetry or supply elasticity in services.<sup>5</sup>

### **Step 7 - Choice of data sources and, where necessary, development of data capture tool(s)**

The advice provided in the general guidelines and in the other annexes applies also for the assessment of administrative burden. Data collection methods to be chosen according to the individual case include: focus groups, consultation of stakeholders, field trials, consultancy studies, and expert assessment. Irrespective of the source and mode of collection, services need to verify and interpret collected data (see Annex 3, 3.1 Approximating numbers).

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<sup>5</sup> If little publicity is made around legislative changes aimed at reducing administrative burden, if freelance accountants are in short supply and if the latter work on the basis of price packages, the industrial sector will not ask and/or get a reduction of external tariff.

In standard cases, it will be sufficient to produce rough estimates based on: available EU statistics (provided, among others, by Eurostat <http://epp.eurostat.cec.eu.int/> and the Small and Medium-Sized Enterprises Observatory); standard ratios (for example assessing overheads on the basis of a mark-up percentage on labour costs or discounting costs of legal obligations corresponding to “normal business operation”); the opinion of experts; and Member State studies. Specific links to data on the number of businesses, labour costs and other sectoral parameters are provided on [http://www.europa.eu.int/comm/secretariat\\_general/impact/links\\_en.htm](http://www.europa.eu.int/comm/secretariat_general/impact/links_en.htm).

In exceptional cases, field work limited to a sample of Member States and/or questionnaires sent to a standard sample of the business community and simulation may have to be used. This was for instance done for assessing the information costs imposed by the Intrastat Regulation (See 10.3). Even if data are not collected by these means, it is always useful to talk to the future addressees, insofar as they are well placed to identify hidden costs.

Member States have agreed to assist the Commission to collect data where standard sources do not suffice<sup>6</sup>. Link to the contact list of national authorities coordinating work on administrative burden is provided on [http://www.europa.eu.int/comm/secretariat\\_general/impact/links\\_en.htm](http://www.europa.eu.int/comm/secretariat_general/impact/links_en.htm).

### ***Step 8 - Assessment of the number of entities concerned***

In order to ensure comparability of estimates made by different DGs and ensure compatibility with estimates conducted by a large number of Member States, services will base their assessment of administrative costs on the basis of an assumption of full compliance by all entities concerned.

### ***Step 9 - Assessment of the performance of a “normally efficient entity”***

In order to keep assessment of costs at a reasonable level and ensure compatibility with national methodologies, the assessment will be based on ideal types (typical firms, typical public service, etc.). National databases don't work with ranges of estimates, but with discrete figures corresponding to standardised costs.

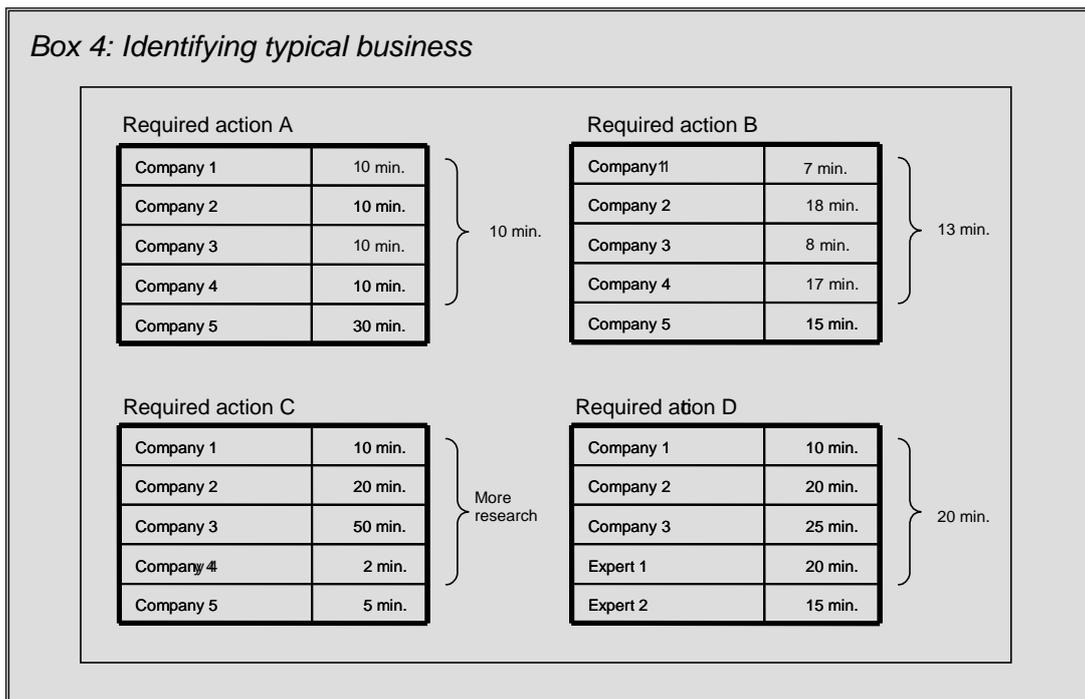
To start with, services will make a critical review of available data, identify and remove obvious outliers (entities whose performance is clearly eccentric, i.e. greatly below or above the other performances). In many cases, calculating the median or the average of remaining data might be sufficient. The standard deviation and variance (measuring how spread validated data are) will help deciding on the most appropriate method for identifying the performance of the “normally efficient entity”.

The following example largely borrowed from the ‘International SCM Manual’ shows how to proceed with simple cases.

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<sup>6</sup> “The Council ... reiterates its October 2004 commitment to assist the Commission in implementing the methodology. In this context Ministers agree: to provide, on request and in a proportionate manner, the information needed to carry out assessments of EU administrative burdens and; that the methodology proposed by the Commission provides a common basis for the collection and exchange of data” (The Council of the European Union (ECOFIN) 2688th meeting, 8 November 2005). “The European Council recognises the importance for Member States to provide, on request and in a proportionate manner, the information needed to assess administrative costs imposed by EU legislation” (Presidency Conclusions of the Brussels European Council, 15/16 December 2005).

**Box 4: Identifying typical business**



As far as action A is concerned, Company 5 is clearly different from the others and should therefore not be taken into account to determine the performance of a typical (or normally efficient) business. The convergence of the other data is sufficient to choose 10 minutes as a basis for the calculation of the cost imposed on a “normally efficient entity”. In the case of action B, there are no obvious outliers. The standard performance could be assessed on the basis of the average (13 min.) or the median value (15 min.). The difference being negligible (2 min.) any method would do. No estimate can be made on the basis of data concerning action C because the latter vary too much. More research needs to be done. Consideration should first be given to whether companies selected are not representative or whether specific circumstances can explain this wide variation of performance. The segmentation (see Step 4 - Identification of target group(s)) should be reconsidered and, if necessary, more interviews done. In the case of action D, only three companies answered the questionnaire. An expert assessment was seen as necessary. The combination of the two data sets leads to opt for 20 minutes.

In addition to the number of hours, services will have to determine ‘normal’ level of qualification required by the main actions linked to information obligations and the ‘normal’ labour cost per hour including prorated overheads (expenses for premises, telephone, heating, electricity, IT equipment, etc.).

EU statistics on sectoral labour costs are highly aggregated, but can serve as a basis for the assessment - in line with the principle of proportionate analysis. As there is no central statistical source on overheads, it is difficult to specify a percentage that should be added to the hourly pay for all sectors. Denmark, the Netherlands and Sweden usually apply an overhead percentage of 25%. For the assessment of regulations for the financial sector, the Netherlands apply an overhead percentage of 50%. The United Kingdom has an initial overhead percentage of 30%, subject to review during the baseline measurement.

## Step 10 – Extrapolation of validated data to EU level

There is no need to provide specific estimates for each Member State or administrative body concerned, unless to do so would be proportionate. In most cases, services will estimate EU costs by extrapolating available data at national or EU level.

When data are available for only a very limited number of Member States, extrapolation could be done on the basis of the country distribution of administrative costs in a similar sector or for a similar event. Benchmarking projects conducted by several Member States and the most advanced Commission Impact Assessments are a prime source of information on country distributions. In the absence of specific country distribution, services may want to use figures on total administrative costs, keeping in mind that resulting estimates will be very rough.

Example. CPB estimated total administrative burden in the Union by extrapolating the Dutch figure. For doing that, the study used the difference of costs for setting up an identical standard firm in each Member State. This differentiation gave the following country distribution, where NL = 100:

Country	AT	BE	CZ	DE	DK	EL	ES	FI	FR	HU	IE	IT	NL	PL	PT	SE	SI	SK	UK
Distrib.	81	73	100	86	65	119	78	65	78	119	65	65	100	119	65	65	119	65	65

DG ENTR - Industrial Policy and Economic Reforms Papers No. 1, *The new Lisbon Strategy - An estimation of the economic impact of reaching five Lisbon Targets* by George M.M. Gelauff and Arjan M. Lejour (CPB Netherlands Bureau for Economic Policy Analysis), January 2006, based Kox, H., 2005, Intra-EU differences in regulation-caused administrative burden for companies, CPB memorandum. [http://europa.eu.int/comm/enterprise/enterprise\\_policy/competitiveness/doc/industrial\\_policy\\_and\\_economic\\_reforms\\_papers\\_1.pdf](http://europa.eu.int/comm/enterprise/enterprise_policy/competitiveness/doc/industrial_policy_and_economic_reforms_papers_1.pdf)

The SG will collect country distributions and make them available on [http://www.europa.eu.int/comm/secretariat\\_general/impact/docs\\_en.htm](http://www.europa.eu.int/comm/secretariat_general/impact/docs_en.htm). Services are invited to report country distributions to the service responsible for better regulation in SG.

## Step 11 - Report

Estimates need to be reported in a standardised manner to allow for their comparison and addition. The report sheet downloadable on the SG IA website should therefore be used [[http://www.europa.eu.int/comm/secretariat\\_general/impact/docs\\_en.htm](http://www.europa.eu.int/comm/secretariat_general/impact/docs_en.htm)]. Calculation is automatically done by the Excel report sheet.

The development of a database is under examination. This would facilitate data extrapolation, assessment of cumulative burden at sectoral level and interfacing with national databases developed by some Member States.

Users may however add ad hoc information to the report sheet, as long as this does not alter the standard part of the report sheet<sup>7</sup>. For strategic proposals, the common report sheet will often act as a summary of more detailed analyses. It does not prevent services from presenting more detailed data (such as ranges of costs or key uncertainties) in separate tables and texts.

*Encoding instructions.* When reporting equipment costs, leave the 'tariff' and 'time' columns empty; put the equipment yearly cost based on the depreciation period in the 'price' column. For one-off costs, put '1' in the frequency column in italics. When a measure amends existing provisions and if it removes administrative obligations, the sheet will include negative figures

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<sup>7</sup> For compilation reasons, the same sequence of columns should be used to provide core information. Information required for add-ons could be presented in the remaining columns. This could include the ranges for cost figures.

corresponding to the burden reduction. Detailed instructions are included in the spread sheet (see below).

*Methodological caveats.* When reporting on their assessment, particular care must be taken to indicate, succinctly but clearly, the working assumptions and methodological limitations. This will include assumptions concerning compliance rate, warning about the nature of the data presented (estimates and not exact measures); and indication of the margin of error.



### 10.3. Example of data capture tool

This section provides an example of a questionnaire designed to capture data needed to apply the model on administrative costs. The questionnaire is targeting a representative sample of the business community.

Some questions are meant to collect quantitative data needed to assess the monetary cost of the regulation (number of hours ...).

Others are meant to collect qualitative information useful for caveats (e.g. putting into perspective the very notion of 'burden' by indicating that some obligations will correspond to business' good practices) or useful for policy design. For instance, knowing which types of obligations are a major irritant is an important element for setting simplification priorities, improving knowledge on perception of the regulatory environment and improving compliance.

Table 2: Questionnaire for collecting data on a statistical regulation

<b>European survey on the administrative costs of producing statistics on intra-EU trade in goods</b> (European Business Test Panel) <sup>8</sup>	
<p>In recent years the issue of better regulation and in particular, the issue of administrative costs on enterprises has gained increasing attention internationally, at EU level and in the Member States.</p> <p>The European Commission and its statistical office, Eurostat, are therefore increasing their efforts to measure and better manage the administrative costs caused by European legislation.</p> <p>The system known as Intrastat was devised to collect statistics on intra-Community trade. Developed by Eurostat and operational since 1 January 1993, Intrastat involves collecting information directly from businesses on a monthly basis. Companies exceeding a certain amount of trade in goods within the European Union are liable for Intrastat declarations.</p> <p>To improve our knowledge on administrative costs caused by this specific legislation, we invite you to fill in and submit this short questionnaire.</p>	
1	Does your company have to provide Intrastat declarations to your competent national administration (CNA)? (usually the national statistical office or the national bank). - YES / - NO (if NO, please go to question 9).
2	Does this information concern: - Dispatches & shipments only / - Arrivals & receipts only / - Both arrivals & receipts and dispatches & shipments
3	How much hours are spent each month, on average, for collecting the information required for the Intrastat declaration? What is the average labour cost per hour (including prorated overheads)? (please do not use currency symbols, spaces or dots between thousands)
4	How much hours are spent each month, on average, for drawing up the Intrastat declaration? What is the average labour cost per hour (including prorated overheads)? (please do not use currency symbols, spaces or dots between thousands)
5	How does your company transmit the data to the CNA? – Electronically / - On paper
6	Do you think that the preparation/transmission of your Intrastat declaration today takes less time than when it was initially introduced some 10 years ago? - YES / - NO / - DON'T KNOW. If YES, could you express the change in %: .....

<sup>8</sup> The European Business Test Panel is a representative group of around 3600 European companies that can be directly consulted on the development of important initiatives. The actual survey took place in August and September 2005.

7	Do you expect the time required by Intrastat to evolve in the future, for instance because of organisational or technological adaptations? - YES / - NO / - DON'T KNOW. If yes, will it - DECLINE / - INCREASE - Could you express the change in %: .....
8	Do you consider Intrastat reporting to be (on a scale of 1 to 5) not at all burdensome (1) to very burdensome (5)?
9	Does your company make use of the statistics on Intra-EU trade in goods as they are published at national level and/or by Eurostat? - YES, please specify the use: .... / - NO
Thank you for your cooperation	

#### Comments on the adaptation of the data capture tool to the regulation assessed.

There was no need to ask questions on external costs, because very few enterprises outsource the management of their shipments and arrivals.

In the present case (sending a table of figures), expert judgment was sufficient to assess transmission costs. The cost of electronic transmission is negligible because it requires very little time and no specific equipment (enterprises use IT equipment and connection they need for their professional work). The time and level of qualification needed for paper transmission is fairly standard and the cost of national mail is easy to determine. It was therefore enough to assess the proportion of enterprises using paper transmission. This contributed to keep the questionnaire as short as possible and ensure higher response rate.

On the contrary, because of the specific reporting frequency and overall costs of the regulation, it was important to collect information on the enterprises' learning curve 'see questions 6 & 7) and to have a rather precise idea of routine costs to avoid overestimation. That information also helps assessing indirectly one off costs.

#### **10.4. Example of Report Sheet filled out**

Note that information obligations and figures presented in the report sheet below are purely illustrative. They are not based on actual estimates.

Actions 1, 2 and 10 should not have been fully assessed and reported. With a very low frequency, very limited time required and no specific acquisition required, their total cost was bound to be insignificantly low. The analysis should have been stopped after the assessment of the required number of hours. There was no need to assess other parameters such as hourly pay or overhead, and produce a monetised estimate of these information obligations (see 10.1 Scope of application of the model and expected level of accuracy). The possibility of setting more precise *de minimis* thresholds (for instance 50 hours per entity) will be further examined. Services are invited to report on thresholds they use to the service responsible for better regulation in the SG.

Regulation (EC) No 2560/2001 of the European Parliament and of the Council of 19 December 2001 on cross-border payments in euro, Official Journal L 344 , 28/12/2001 P. 0013 - 0016					Tariff (€ per hour)		Time (hour)		Price (per action or equip)	Freq (per year)	Nbr of entities	Total nbr of actions	Total cost (€)	Regulatory origin (%)				
No.	Ass. Art.	Orig. Art.	Type of obligation	Description of required action(s)	Target group	i	e	i	e					Int	EU	Nat	Reg	
1	4§1		Non-labelling information for third parties	Familiarising with the information obligation	Banking sector	30		1,00		30,0	1	500	500	15.000		100%		
2	4§1		Non-labelling information for third parties	Retrieving relevant information from existing data	Banking sector	25		0,50		12,5	1	500	500	6.250		100%		
3	4§1		Non-labelling information for third parties	Designing information material (leaflet conception...)	Banking sector		50		8,00	400,0	1	500	500	200.000		100%		
4	4§1		Non-labelling information for third parties	Copying (reproducing reports, producing labels or leaflets)	Banking sector					30000,0	1	500	500	15.000.000		100%		
5	4§1		Non-labelling information for third parties	Submitting the information (sending it to the designated recipient)	Banking sector					0,5	300.000	500	150.000.000	75.000.000		100%		
6	5§1		Non-labelling information for third parties	Retrieving relevant information from existing data	Banking sector	25		0,10		2,5	3.000	500	1.500.000	3.750.000		100%		
7	5§1		Non-labelling information for third parties	Submitting the information (sending it to the designated recipient)	Banking sector					1,0	3.000	500	1.500.000	1.500.000		100%		
8	6§1		Submission of (recurring) reports	Retrieving relevant information from existing data	Banking sector	25		-15,00		-375,0	1	500	500	-187.500		100%		
9	6§1		Submission of (recurring) reports	Filing forms and tables	Banking sector	50		-5,00		-250,0	1	500	500	-125.000		100%		
10	6§1		Submission of (recurring) reports	Submitting the information (sending it to the designated recipient)	Banking sector					-10,0	1	500	500	-5.000		100%		

Art.4§1 = informing by mail all customers on charges for transborder and 'local' payments

Art.5§1 = informing each customer upon request of his International Bank Account Number

Art.6§1 = suppressing the obligation to report to public authorities individual cross-border payments below 12500 €

**Total administrative costs (€) 95.153.750**

Administrative costs by origin (€)

100%

## 10.5. Appendix – Planned optimisation of the model

Sectoral services (preferably horizontal units providing support for IA) are invited to report to the service responsible for better regulation in SG on cases likely to contribute to the optimisation of the model and its application. Issues of particular interest include<sup>9</sup>:

1. Possible adjustments of the model when assessing administrative costs put on citizens.
2. Possible difficulties to distinguish information obligations from the other regulatory costs and how to overcome them.
3. Identification of specific threshold(s) below which quantification is not necessary (minimum thresholds for the application of the model).
4. Identification of the average margin of error of administrative cost assessments.
5. Identification of weighting systems for assessing EU-wide costs on the basis of a limited quantity of national data
6. Identification of standard ratios for overheads, training costs and learning curves and for costs corresponding to normal business operation, among other things.
7. How to define a 'typical' entity
8. Definition of simple typology of target groups
9. Identification of best practices regarding Member States contribution to the application of the model [definition of delivery systems]

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<sup>9</sup> List derived from Commission Staff Working Document SEC(2005)1329.