Better law-making 2005: application of the principles of subsidiarity and proportionality. 13th annual report

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This Commission working document sets out a possible road map for achieving a cut of 25% in administrative burden, based on a partnership between the EU Institutions and the Member States. The report states that administrative costs are important since businesses across the EU are required to spend considerable amounts of time filling in forms and reporting on a wide range of issues. By reducing unnecessary reporting requirements company employees can spend more time on core business activities which may reduce production costs and allow additional investment and innovation activities to materialise, which in turn should improve productivity and overall competitiveness. In response to the June 2006 European Council conclusions and within the competitiveness framework of the re-launched Lisbon agenda, in early 2007 the Commission will launch a major Action Programme to measure administrative costs and reduce administrative burdens generated by existing legislation in the EU.

A **common methodology for measuring costs** in agreed priority areas and common principles for reducing these burdens are at the heart of this approach. Progress would be monitored through agreed partial targets as well as intermediary targets.

The plan will build on the previous experience developed by four Member States (UK, NL, DK and CZ) that have already set reduction targets after completing large baseline measurements. However, an assessment based on an extrapolation of Dutch data suggests that administrative costs may amount to circa 3.5% of GDP in the EU.

Administrative costs mean the costs incurred by enterprises, the voluntary sector, public authorities and citizens in meeting legal obligations to provide information on their activities (or production), either to public authorities or to private parties. They are different from compliance costs which stem from the generic requirements of the legislation, such as costs induced by the development of new products, or processes that meet new social and environmental standards.

An important distinction must be made between information that would be collected by businesses even in the absence of the legislation and information that would not be collected without the legal provisions. The former are called administrative costs; the latter administrative burdens. The Commission's Better regulation strategy is aimed at measuring administrative costs and reducing administrative burdens. Administrative cost reduction measures are limited to streamlining information requirements and do not affect the basic design of the underlying legislation. This suggests that simplification measures to reduce administrative costs are developed more easily than measures aimed at changing the nature or the scope of the underlying legislation.

Given their nature and in light of experiences in Member States which have developed administrative cost reduction programmes, these reduction measures should be relatively straightforward to decide and implement. Such measures are therefore fundamentally different from deregulation initiatives. Administrative requirements can be further broken down into **information obligations (IOs)**. This can best be explained as follows: a piece of legislation may contain requirements for submitting information (i. e. submitting a certificate of conformity to a public authority, on a regular basis). Each specific requirement in the legislation is defined as an IO.

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Measuring administrative costs in the EU is not a goal in itself. The aim is to reduce red tape for businesses in Europe. Results of the pilot project indicate that costs are strongly concentrated in priority areas. It is proposed that the Commission measurement also focus on priority areas and, where possible, to identify "low hanging fruits" related to these priority areas. Regarding the question of how to reduce these burdens, the following principles could, if agreed, make a significant contribution to guiding the burden reduction process:

- reduce the frequency of reporting requirements to the minimum levels necessary to meet the underlying objectives of the legislation (e.g. there are still many financial regulations that require monthly reporting; a reduction in the frequency could possibly be envisaged);
- review whether the same information obligation is not requested several times through different channels and eliminate overlaps (e.g. a number of environmental information obligations are presently required by more than one piece of legislation);
- require electronic and web-based reporting where paper based information gathering is presently required, using intelligent portals where possible (experiences in Member States demonstrate that intelligent portals covering a variety of information requirements can generate significant savings; in Norway the portal "Antinn" covers nearly all information obligations on businesses imposed by the central government);
- introduce thresholds for information requirements, limiting them for small and medium sized companies wherever possible, or rely on sampling (it is well known that SMEs suffer particularly strongly from administrative costs – data collection for information purposes should take this into account);
- consider substituting information requirements on all businesses in a sector by a risk based approach – targeting information requirements on those operators that carry the highest risk (the experience of UK enforcement of legislation in a number of areas shows that this can significantly reduce costs without compromising the legislation);
- reduce or eliminate information requirements where these relate to legislative requirements that have been dropped or modified since the information requirement was adopted (e.g. there are still information obligations in road transport dating back to the time that permits were required to carry out international transport).

The Action Programme will contain proposals allowing the spring 2007 European Council to take the following decisions:

- set an overall target for reducing administrative burdens in the EU;
- agree the priority areas for administrative cost measurement and burdens reduction;
- endorse the methodology for measurement proposed in the Action Programme;
- agree the list of "low hanging fruits" for immediate action.