

International best practice regarding business regulation:

# The concept of regulatory burdens and different ways to measure them.

Workshop on simpler and more effective business regulation

2 – 3 September 2013

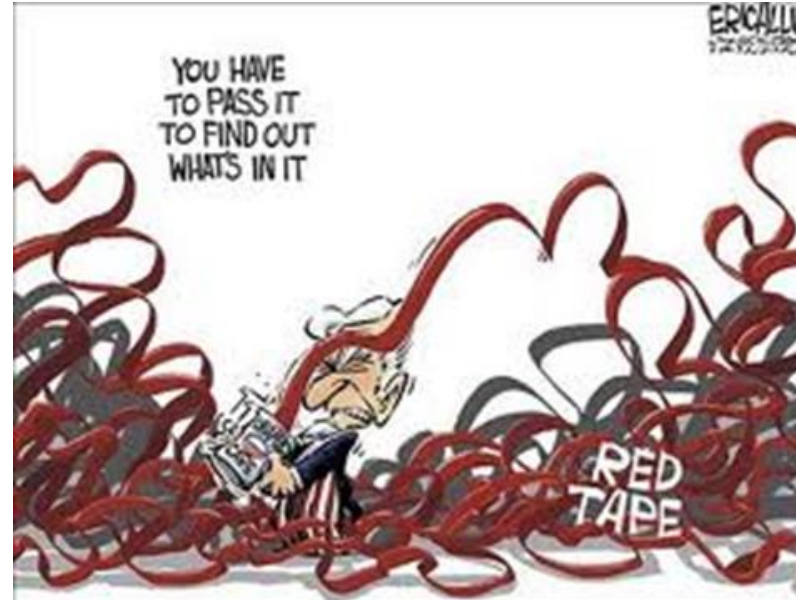
Grand Hotel - Reykjavik

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# Content

1. Regulatory Burdens
2. Why should we reduce Regulatory Burdens?
3. How to measure?
4. Reducing burdens?

# 1. Regulatory burdens...



# Regulatory burdens...

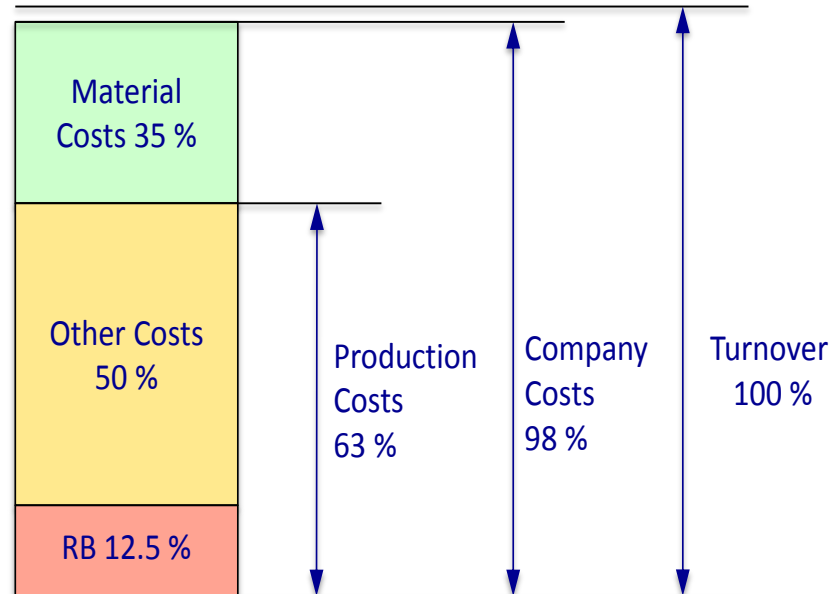
- As part of Company Costs

Turnover (100%) - Company Costs (98%) =

EBIT 2 %

The Company Costs (98%):  
 Material Costs (35%)  
 Production Costs (63%)

The Production Costs (63%):  
 Other Costs (50%)  
 Regulatory Burden (12.5%)



## Regulatory burdens...

- Laws and regulations are necessary...  
So regulating a society and an economy, imposes costs on the industry.

**Laws &  
regulations**

=

**Financial  
Costs**

+

**Regulatory  
burden**

- Taxes
- Contributions
- Fines

- Administrative burden
- Compliance Costs
- Inspection Costs

(No regulatory burden: e.g. Interest rates, raw material costs)

# Regulatory burdens...

- **Administrative burdens**
  - Information Obligations in government regulations.
  - Administrative activities have to be carried out, (eg. permits, soil investigations, annual reporting, etc.)
  
- **Compliance costs**
  - Other obligations in government regulations.
  - Investments have to be carried out. (eg. safety materials, soil protection systems, air filters, etc.)
  
- **Inspection costs**
  - Obligation to cooperate with inspections.
  - Accompany inspectors and provide information. (e.g. tax office, environment agency, fire authority, etc.)

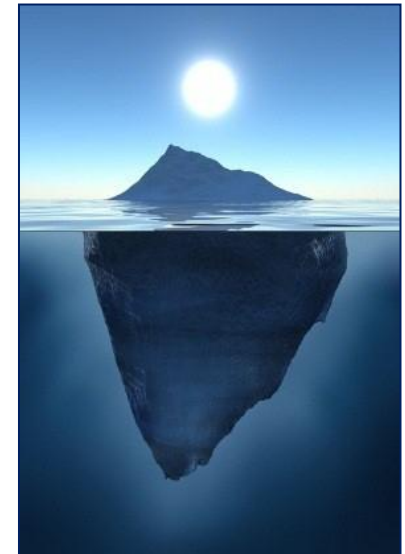
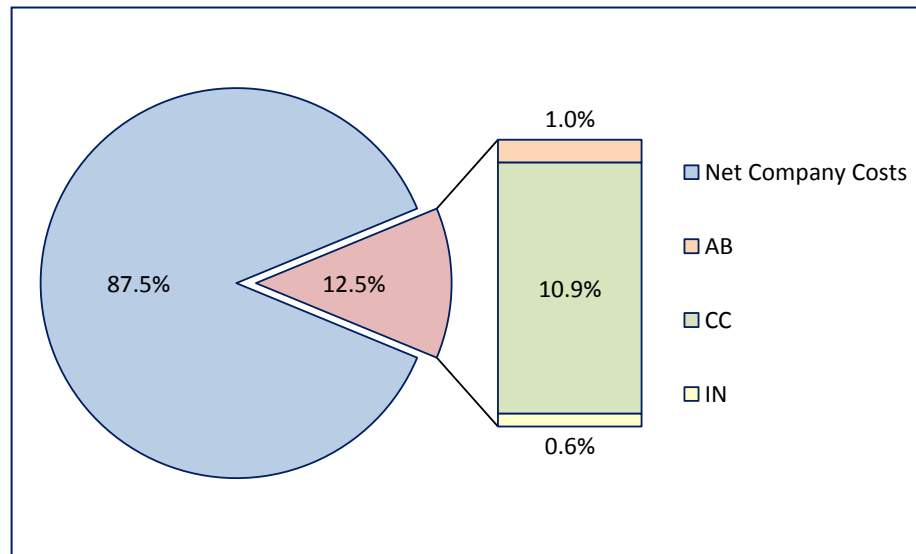


## 2. Why should we reduce RB...



## Why?

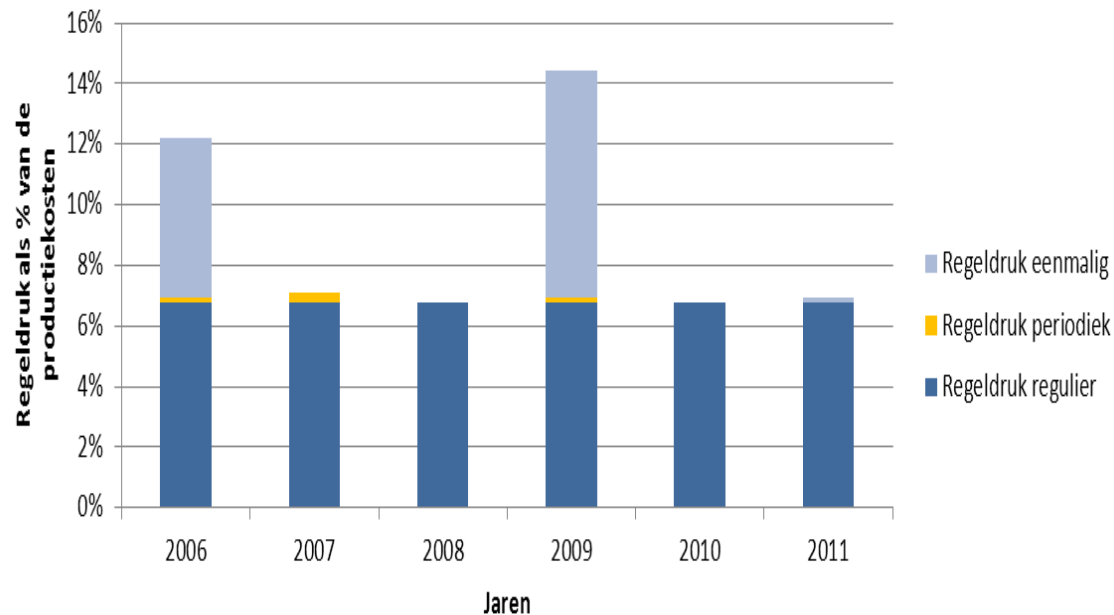
- Because regulatory burden are a significant part of the Net Company Costs





## Why?

- Because it frustrates innovation.



## Benefits of RB reduction...

- RB reduction results for the industry:
  - Increase in GDP (25% less AB = 1.7% growth GDP)
  - Increased labour productivity
  - Country and regions become more attractive to industry
  
- RB reduction results for the government:
  - Less paperwork and Institutional Administrative Burden for Gvmt
  - Regulations of better quality
  - Improved compliance
  - Professional satisfaction and improved quality of work

## Benefits of RB reduction...

- Shared benefits
  - Improved transparency of regulations
  - Better interfacing between Government and Industry
  
- No political discussion because fits left and right wing in the parliament no party political issue

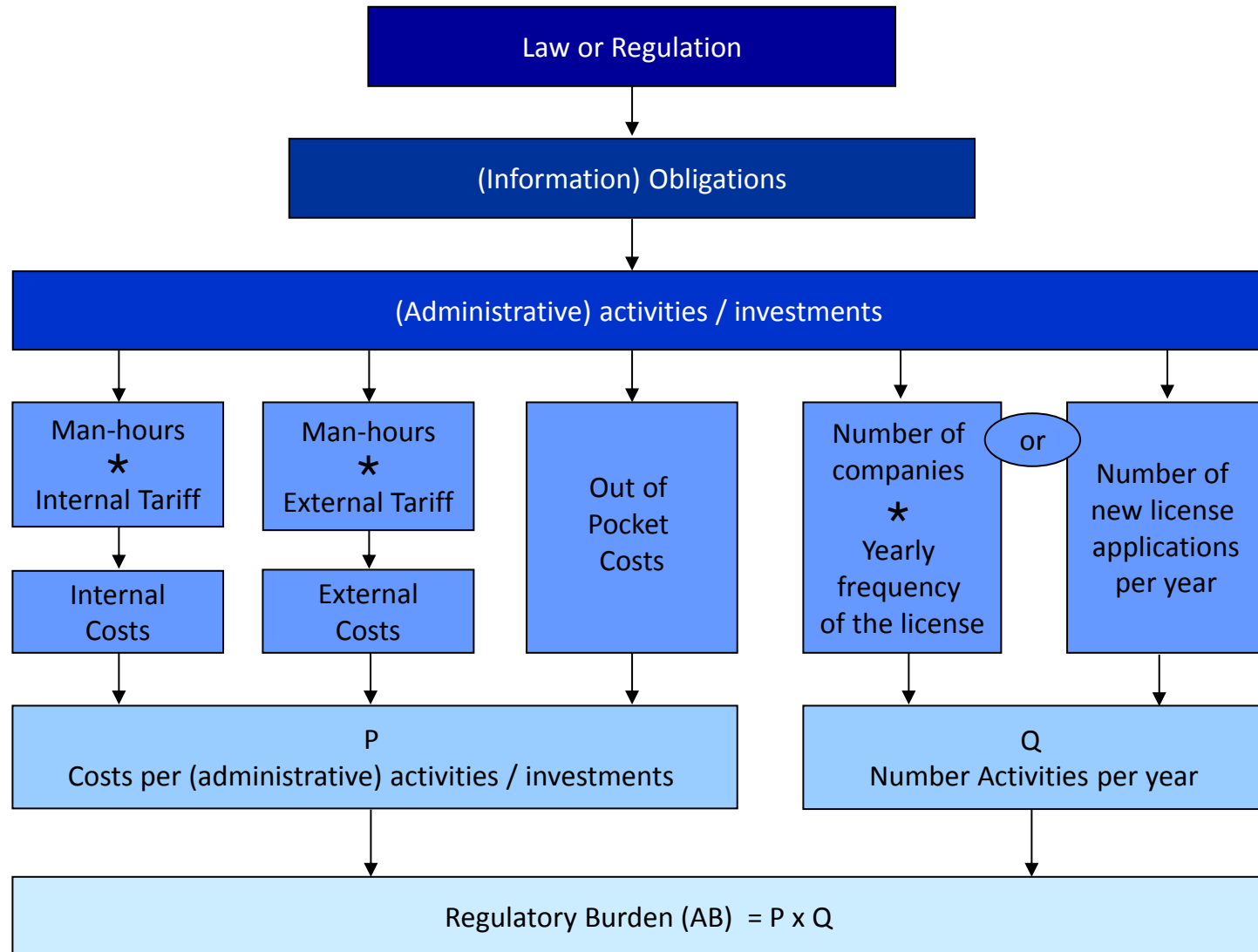
## 3. How to measure...

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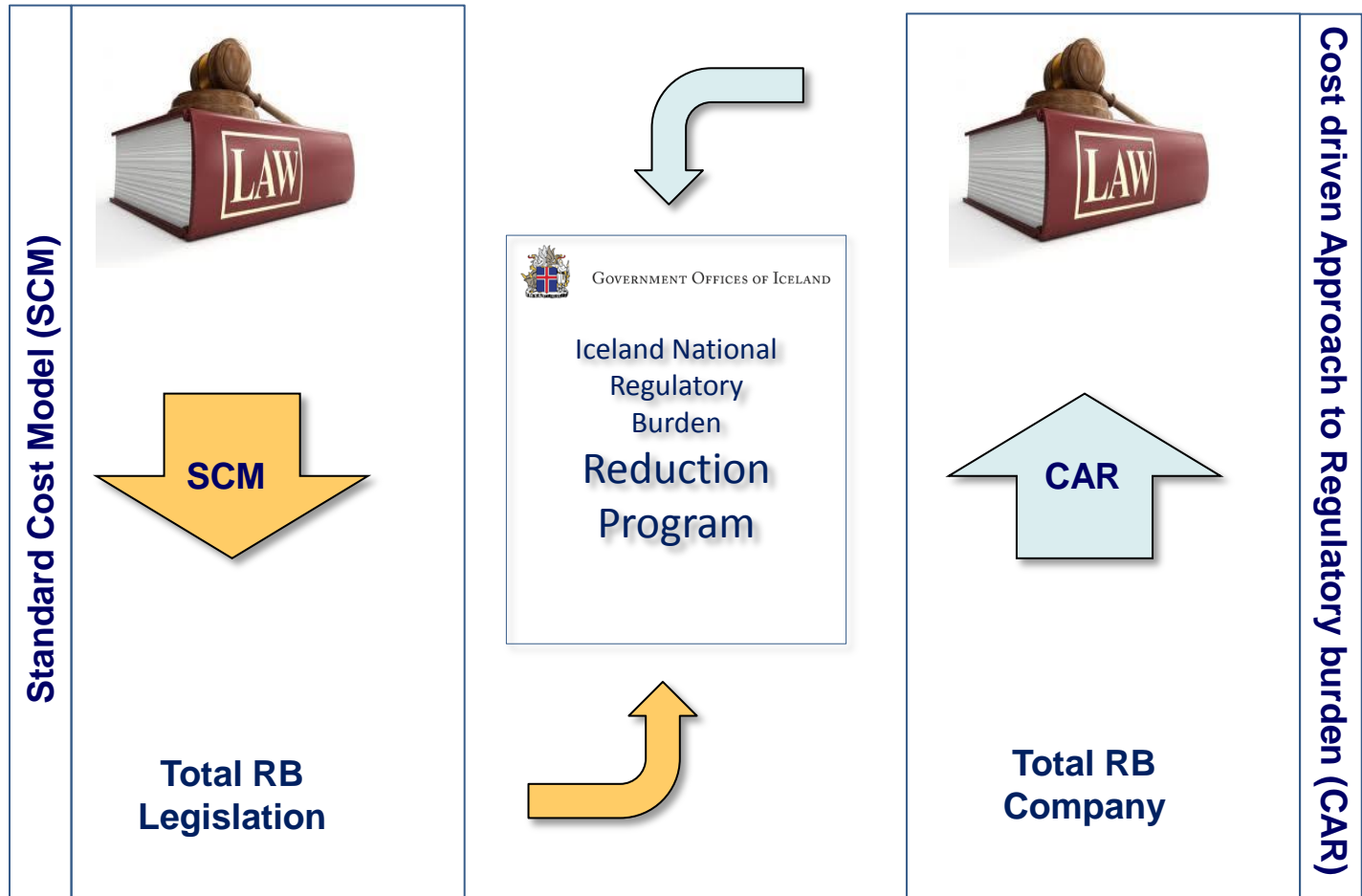
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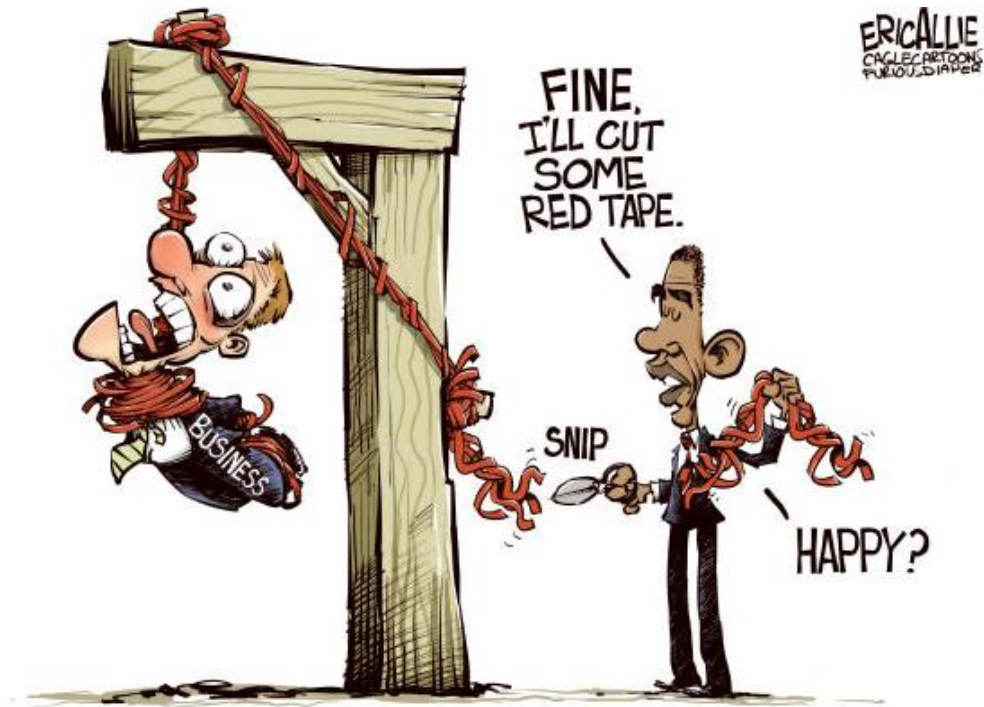
"We cut through all the red tape, but a new shipment came in this morning."



# How to measure...



## 4. Reducing burdens...



# The 5 necessary elements for an RB Reduction Program

## 1. Content

- Inventory and analysis of origin and amount of RB
- Possibilities for the reduction of RB

## 2. Process

- Communicating with the stakeholders: “owners” and industry
- Reaching consensus and commitment

## 3. Instruments

- Standard Cost Model (SCM)
- Cost driven Approach to Regulatory burden (CAR)





# The 5 necessary elements for an AB Reduction Program

## 4. Organisation and planning

- Who is doing what with whom (tasks, responsibilities, authorities)
- Time frame and allocation of resources

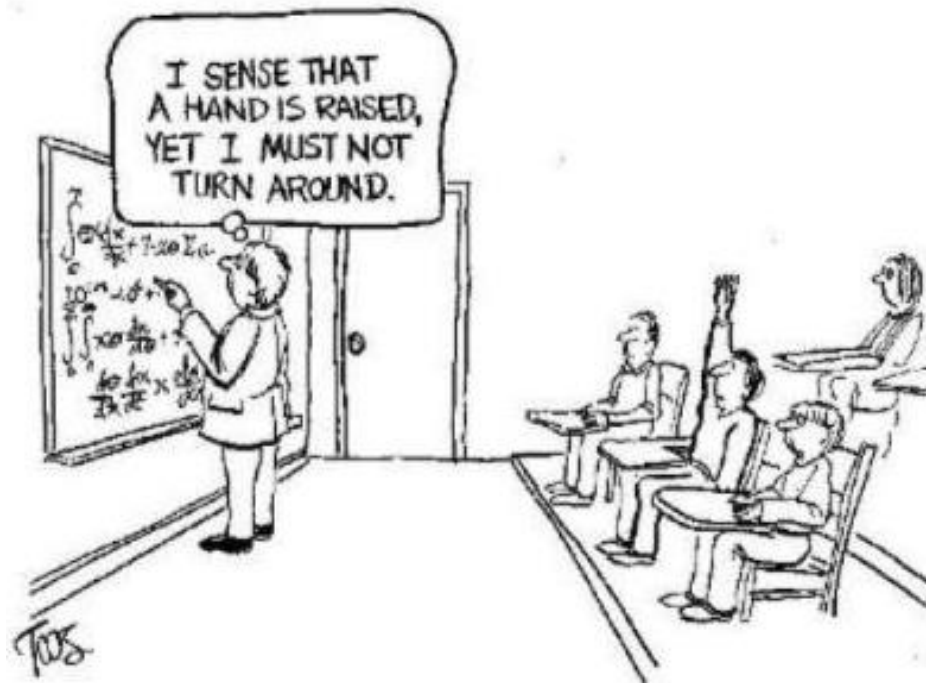
## 5. Motivation

- How to move the stakeholders:
  - Owners: parliament and government ”
  - Industry

## Ways to move the stakeholders?

- SCM / CAR:
  - Hidden costs transparent
  - Systematic approach for identifying RB reductions
- -/- 25% net reduction target
- Budgeting AB creates scarcity
- Compensation required
- Interministerial framework
- Independent advisory board

## 6. Questions?



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