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2010 Federal Government Report on the Use of the Standard Cost Model and Progress in Bureaucracy Reduction

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Preface



Effective and logical rules that intrude as little as possible into people's lives are essential for Germany's competitiveness, and they are vital if we are to maintain our citizens' confidence in politics and public administration. Social responsibility and economic productivity will be enhanced if the quality of legislation is improved and the resulting burdens reduced. For this reason, the Organisation for Economic Co-operation and Development (OECD) considers regulatory policy to be one of the three key governance instruments, along with budgetary policy and monetary policy.

On 27 January 2010 the German Federal Government decided to expand its Programme for Bureaucracy Reduction and Better Regulation to take into account the total administrative burdens placed by legislation on citizens, businesses and public authorities alike. Better regulation thus became a separate, equally important political goal requiring close scrutiny of the de facto burdens and close cooperation with all agencies involved in enforcing regulations.

With this report for 2010, the Federal Government provides the first overview of the implementation of this expanded Programme. In addition to reducing existing burdens, the aim has been first and foremost to draw up effective and logical rules that impose no more than a minimal burden.

We have set ourselves the target of reducing the cost to business of federal information obligations by a net total of 25% by the end of 2011 compared to a 2006 baseline. The Federal Government's Programme thereby provides vital impetus for new growth without placing an additional burden on public budgets.

In 2006, business bore costs totalling some EUR 50 billion. By the end of 2010 simplifications with the potential to save approximately EUR 6.7 billion per year had been adopted. The enclosed Implementation Plan sets out numerous further measures which are to be adopted in 2011 and should reduce the burden to business by an additional EUR 4.6 billion. We are therefore on track to meet our reduction target at the end of 2011.

Furthermore, in selected fields, measurable compliance costs are to be identified and ways of reducing them proposed by the end of 2011. The aim is first and foremost to streamline and improve procedures whilst maintaining proven standards. We seek to achieve an average net burden reduction of 25 percent.

Since additional direct impacts of legislation are now being recorded, administrative cost assessments will henceforth be considerably more informative. For the first time ever, we will have an almost complete picture of the burdens that can be expected. The Federal Government has thus taken the advice of those affected, who complained that the focus on information obligations was too narrow. The National Regulatory Control Council (NKR) will continue to assist the Government in assessing the impact of legislation. Its statutory mandate will be broadened to take account of this change. It should in future also ensure that greater use is made of the options

for putting time limits on laws and including evaluation clauses in legislation introducing new burdens.

Thanks to the new methodological framework in place at the end of 2010, Germany is well positioned with regard to better regulation, also in comparison with other countries. It is now vital for the measures taken by the Federal Ministries to achieve further tangible results.



Eckart von Klaeden,
Minister of State to the Federal Chancellor,
Federal Government Coordinator for Bureau-
cracy Reduction and Better Regulation

A. Expansion of the burden assessment

Since the start of implementation of the Federal Government's Programme for Bureaucracy Reduction and Better Regulation, the ministries have scrutinized new proposed regulations to identify the administrative burden generated by information obligations, for example through applications, registration obligations and documentation. However, compliance with regulations often also entails additional financial and time burdens such as those associated with the procurement of material and with installation, maintenance and control activities.

For this reason, the Federal Government decided on 27 January 2010 to expand the Programme to take compliance costs into account (see Appendix). The objective is to draft better and more transparent legislation.

A.1 Compliance costs

In the future, the compliance costs of each new proposed regulation are to be assessed and described. According to the provisional definition adopted by the State Secretaries' Committee on Bureaucracy Reduction on 25 March 2010, compliance costs encompass the direct financial and time burdens incurred by those affected by new federal legislation (citizens, businesses and public authorities) in complying with it. Thus the previous distinction drawn between information obligations and other obligations entailed in compliance with legislation has largely been eliminated. Since the costs to businesses arising out of information obligations are to be reduced by 25 percent by the end of 2011 compared to the 2006 baseline, these costs will continue to be separately quantified.

For reasons of methodological clarity, the term "compliance costs" does not encompass the indirect impacts or the benefits of regulations. As in the past, both will continue to be set out – independently of the term "compliance costs" – in the explanatory memoranda for draft regulations.

A.2 Broadening of the mandate of the National Regulatory Control Council (NKR)

With the introduction of the systematic measurement of administrative costs using the Standard Cost Model (SCM), it was possible for the first time to achieve measurable success in reducing bureaucracy at federal level. A contributing factor was the establishment of the National Regulatory Control Council (NKR) as an independent body for the systematic examination of draft legislation. The examination of administrative costs undertaken by the NKR, i.e. the identification of the burden generated by information obligations imposed by federal law, has proved its worth.

The coalition agreement between the CDU, CSU and FDP for the 17th legislative period provides for a strengthening of the NKR and an expansion of its competences. To this end the parliamentary groups of the coalition government have introduced a joint bill in the German Bundestag (Bundestag printed paper no. 17/1954) to amend the Act on the Establishment of a National Regulatory Control Council (NKR-G).

Key changes in the bill vis-à-vis the version of the NKR-G currently in force are a broadening of the NKR mandate to include the quantification of total compliance costs as well as the possibility of also examining the plausibility of other aspects of the explanatory memorandum in accordance with the Joint Rules of Procedure of the Federal Ministries (GGO).

The NKR can only fulfil its assigned function in the area of bureaucracy reduction and better regulation to the extent circumscribed by its participatory powers. Therefore, in the future the NKR's powers of scrutiny are to extend also to regulations proposed by the Bundesrat, insofar as the latter itself submits these for review, and to bills introduced by Members of the Bundestag, upon the request of the parliamentary group tabling them.

A. Expansion of the burden assessment

Furthermore, the NKR should in future also ensure that greater use is made in the legislative process of the options for putting time limits on laws and including evaluation clauses in legislation introducing new burdens. Thus the NKRG will serve not only to reduce bureaucracy but also increasingly to improve legislation: Comprehensive knowledge of the impact that legislation will have on those who have to comply with it promotes conscious and responsible decision-making on the part of the legislative bodies.

According to the draft of the explanatory memorandum to the amending act, attention has also been given to the fact that “the key factor in the success of the work of the NKR has been the so-called depoliticized approach of the NKRG. The task of the NKR thereunder is merely to examine whether the anticipated administrative costs have been described in a comprehensible manner and according to the methodology. The objectives and purposes of the regulation, however, are not examined by the NKR. This may only be undertaken by the political decision-making bodies. The NKR can at most examine whether the same objective might not be achievable with fewer costs.”¹

As things stand now, deliberations on the bill are to be concluded this year and the amending act is to enter into force at the beginning of next year. The control and advisory activities of the NKR will then contribute to systematic and comprehensive assessments of compliance costs. Moreover, the work of the NKR will lend the necessary credibility to the Federal Government’s efforts towards better regulation. And, finally, the permanent nature of the NKR will create a framework for the essential, long-term culture change in regard to the reduction and avoidance of bureaucracy.

¹ See Bundestag printed paper no. 17/1954, introductory summary (in German).

B. Measurement and reduction of existing burdens

B.1 Business sector target (baseline measurement and target achievement)

In its Cabinet decision of 27 January 2010, the Federal Government agreed to reduce the costs incurred by businesses through information obligations by the end of 2011 by 25 percent compared to the baseline measurement on 30 September 2006. New administrative burdens must also be taken into account.

1. Baseline measurement

This reduction target is based on the identified overall burden incurred by businesses by fulfilling information obligations arising from federal laws as of 30 September 2006.

According to the calculations of the Federal Statistical Office, the overall burden amounts to EUR 50 billion. This is slightly higher than the figure cited in the 2009 Annual Report. This increase is the result of remeasurements of information obligations, the methodological definition and measurement of which could now be completed.

Further information obligations arising out of company and civil law, whereby the latter likely generate a total burden of EUR 2.05 billion, and perhaps a few individual open questions arising out of tax law must be added to this.

Moreover, the overall burden on businesses now also includes information obligations arising out of public funding law. At the request of the Federal Government, the Federal Statistical Office identified the administrative burden associated with each information obligation originating in the provisions of public funding law. The identified administrative costs under public funding law total approximately EUR 93 million. By far the largest share of this burden is attributable to project funding (EUR 92.9 million), whereas institutional funding accounts for just under EUR 0.5 million. The reason for this difference lies in the significantly lower number of cases of institutional funding compared to

project funding. The time burden generated by individual obligations in cases of institutional funding, however, can also be very high.

2. Target achievement

By the end of 2011, the measured total administrative cost burden borne by businesses is to be reduced by 25 percent in comparison to the baseline measurement. To this end, the federal ministries have initiated a multitude of changes in the law since 2006 and have developed procedures for simplifying compliance with legislation. When quantifying the reduction, not only the pure burden reduction impacts of projects are taken into account but also new burdens that have arisen ("net approach"). This yields a reduction of approximately 13 percent (roughly EUR 6.4 billion) in the 16th legislative period.

In June 2010, the State Secretaries' Committee on Bureaucracy Reduction agreed on an implementation plan to identify the overall reduction by the end of 2011, and resolved to update it in December 2010. The updated implementation plan is published in the Annex to this Report.² It includes the projects of the Federal Government that have already been implemented as well as those currently planned which will have an impact on the administrative costs borne by businesses. The implementation plan thus shows which measures are to be used to achieve the reduction target by the end of 2011. Measures with a burdensome impact have also been included in the net balance.

In the 17th legislative period the Federal Government has so far adopted projects with an overall burden reduction potential of EUR 4.9 billion. Projects saving EUR 0.3 billion have already been implemented.

The evaluation of the projects for the 17th legislative period and the measures implemented in the 16th legislative period shows that the reduction target can be achieved soon.

² Translator's note: This Annex has not been translated.

The implementation of all projects currently planned will lead to a burden reduction of 22.6 percent compared to the 2006 baseline (see table).

Table: Overview of the change in administrative costs incurred by businesses through information obligations

Baseline: Annual administrative costs incurred by businesses through information obligations as of 30 September 2006	EUR 49.98 billion
Changes in the 16 th legislative period	- EUR 6.40 billion
<i>Net percentage reduction in the 16th legislative period</i>	<i>-12.8%</i>
Implementation plan for the 17th legislative period	- EUR 4.87 billion
Measures implemented in the 17 th legislative period (Cabinet decisions up to 30 November 2010)	- EUR 0.30 billion
<i>Net percentage reduction as of 30 November 2010</i>	<i>-13.4%</i>
Measures still to be implemented	- EUR 4.58 billion
Overall reduction	- EUR 11.27 billion
<i>Overall percentage reduction</i>	<i>-22.6%</i>

Examples of simplification projects:

- The greatest burden reduction can be achieved through simplification of electronic invoicing: Fewer requirements for electronically transmitted invoices and the acceptance by tax authorities of invoices sent by email will yield savings to businesses of EUR 4.1 billion per year (Federal Ministry of Finance).
- Businesses will in the future save more than EUR 265 million per year in the area of public procurement law. In approximately 80 percent of the tenders concerned, the previously required proof of bidders' suitability (expertise, performance and reliability) can be replaced with corresponding self-declarations by the bidders (Federal Ministry of Economics and Technology).
- Through the intended revision of the Closed Substance Cycle and Waste Management Act and the subsequent amendment of the pertinent regulations, businesses will be able to save up to EUR 12.5 million (five percent of the previous costs) (Federal Ministry for the

Environment, Nature Conservation and Nuclear Safety).

- There are plans to considerably alleviate the burden on businesses – especially the hotel industry but also hospitals, long-term care facilities and similar institutions – through changes or simplifications in the area of registration obligations (Federal Ministry of the Interior).

A comparison between the measures already implemented in this legislative period through Cabinet decisions and those currently planned shows that a not inconsiderable burden reduction potential lies in projects that have not yet been adopted. For this reason the Federal Government Coordinator for Bureaucracy Reduction and Better Regulation will regularly brief the Federal Cabinet on the status of target achievement in 2011 as well.

B.2 Projects in priority areas

1. “Simple Access to ...” projects

Not only European and federal legislation but also *Land* legislation and the ensuing administration can trigger administrative burdens

facing citizens and businesses. Effective and sustainable bureaucracy reduction can therefore only be achieved if burdens are minimized as much as possible at every level.

Against this background the Federal Government, together with the National Regulatory Control Council (NKR) as well as the *Länder* and the competent authorities, implemented three cross-level projects focusing on simplification of the existing procedures for submission and processing of applications. With the application procedures for housing benefits, parental benefits and financial support for students under the Federal Training Assistance Act (Studierenden-BAföG) so-called “mass application procedures” that are implemented by the *Länder* were selected for scrutiny – on the basis of information obligations under federal law – and put into practice by the local authorities or by the student support offices.³

The projects were concluded in September 2009 and in March 2010. In all three cases the approach was the same: First the Federal Statistical Office described the entire application procedure from the standpoint of the applicants and the administrative authorities. Using the Standard Cost Model, it then determined the amount of time expended by each side. Its next step was to ask both citizens and authorities for proposals to alleviate the burden or simplify the procedure associated with the submission and processing of applications. Differences in the authorities’ practices were also examined in order to identify good examples of procedural simplifications.

Many of these proposals, which concern all phases of the application procedure, can be implemented across projects, such as easier access for applicants (through improved websites and more customer-friendly advisory services), wider use of electronic application procedures, simplification of application pro-

cessing (through simplification of the “four eyes” principle or reduction of the number of necessary calculations through simplification of the term “income”) as well as suggestions for improving the comprehensibility of the final entitlement notification.

The majority of the proposals from the project “**Simple Access to housing benefits**” are procedural suggestions and are directed primarily towards local authorities and the *Länder*. Several of the proposals have already been implemented at the federal level. The decree of 8 March 2010, for instance, sets out the data protection legislation applicable to the housing benefit procedure. The envisioned amendment of Section 12a of Book II of the Social Code will more clearly delineate housing benefits from other social benefits. There are furthermore plans to conclude in 2011 the legislation required for nationwide implementation of automated data comparison.

In the case of the project “**Simple Access to parental benefits**”, one year after publication of the final report the NKR surveyed the participants to determine the extent to which the simplification proposals had been implemented and asked for their evaluation. The participants rated the exchange of ideas within the framework of this project as constructive. The number of simplification proposals actually implemented was modest, however, since at both federal level and below the proposals were deemed to already be common knowledge or of little practical benefit. Initial experience with implemented proposals, such as the merely random application of the “four eyes” principle, was positive.

In the area of **financial support for students**, the provisions of the Federal Training Assistance Act (BAföG) were amended with effect from 1 October 2010 through the 23rd Amendment to the BAföG. When drafting this amendment, the legislator also incorporated a number of proposals from the project. Applying for student support has thus become easier:

- The housing allowance is now granted on a fixed-rate basis. Applicants must no

³ For information on the participants, findings and proposals, see the project reports (in German), accessible at

<http://www.normenkontrollrat.bund.de/Webs/NKR/DE/Publikationen/publikationen.html>.

longer furnish proof of the rent they actually have to pay. Approximately 540,000 applicants benefit from this simplification. The student support offices save time and money as well, for they no longer have to check certificates of tenancy.

- Students who change their field of study for the first time no longer need to apply for a BAföG bank loan to finance the period of their new course of study extending beyond the duration of the original course. They now remain eligible for financial aid through the other assistance instruments. Having the same assistance instruments for all students alleviates the burden on the administrative bodies.
- Students can now document their academic performance with the aid of ECTS credit points.⁴ They no longer need to submit individual certificates from faculty members of the higher education institution.
- Proof of language proficiency is no longer a prerequisite for assistance for studies abroad.
- Certificates of academic performance have been modified in line with the bachelor study courses.

The report, which was compiled with input from multiple levels, contains many additional ideas for perceptibly cutting red tape.

2. Sector-specific projects: automobile industry, energy sector, post and telecommunications sector

In autumn 2009, the Federal Ministry of Economics and Technology (BMWi) commissioned three research projects to systematically analyse the opportunities and limitations associated with the reduction of costs generated by sector-specific information obligations in order to improve the competitive position of German businesses. In

addition to the administrative costs generated by cross-sectoral information obligations arising from various fields of law, businesses incur burdens associated with purely sector-specific information obligations. The research reports, which deal with the automobile industry, the energy sector and the post and telecommunications sector, were presented in 2010.⁵

The three projects pursued a comparable approach: As a first step, the sector-specific information obligations were identified from the SCM database and the resulting burden was determined. The second step was to examine cost-cutting approaches and then formulate proposals for reducing costs. Sector representatives (businesses and associations) as well as several ministries and authorities (Federal Network Agency for Electricity, Gas, Telecommunications, Post and Railway; Federal Motor Transport Authority) were involved in the studies as well.

The findings of the studies show that on the basis of an overall burden of approximately EUR 50 billion incurred by businesses in 2006 (see section B.1 in this context) the cross-sectoral red tape was far more costly than the identified burdens associated with purely sector-specific information obligations.

The study on the **automobile industry** shows that the administrative cost burden attributable to the identified sector-specific information obligations is relatively low, namely approximately EUR 17 million per year. The burdens and their origin vary along the value chain: Automobile manufacturers incur fewer administrative costs than suppliers, who are subject to information obligations in connection with vehicle registration or in the area of carriage of goods. Suppliers in turn bear fewer administrative costs than commercial and service enterprises. All in all, a bureaucracy reduction approach geared solely to sector-specific burdens is likely to yield only little perceptible relief here. The study sees potential for burden

⁴ European Credit Transfer and Accumulation System, measuring system to compare students' academic performance.

⁵ Accessible (in German) at <http://www.bmwi.de/BMWi/Navigation/Wirtschaft/Wirtschaftspolitik/buerokratieabbau.html>.

reduction in specific simplifications of the law and in simplified information exchange processes between businesses and public authorities.

The findings on the **energy sector** reflect the regulatory density and intensity characteristic of this sector, which is attributable above all to requirements to secure supply and ensure competition. Administrative costs arise in particular in the value chain segments “network” (43 percent) and “distribution” (32 percent). On the basis of the data from the SCM database, a relatively low sector-specific burden of approximately EUR 500 million per year has been identified. According to the study, however, a conclusive assessment of the extent of the burden will only be possible once it is compared to the sector-specific burdens of other sectors and of energy companies in other EU member states. The proposals for burden reduction and simplification in this area largely target the information obligations associated with basic supply contracts and the exchange of information between regulators and the energy companies involved.

The project concerning the **post and telecommunications sector** likewise documents the burdens arising from sector-specific regulation aimed at promoting competition, technical safety and customer protection. According to the study’s assessments, the post and telecommunications sector bears sector-specific administrative costs amounting to approximately EUR 29 million per year, 5.2 percent of which are incurred by small and medium-sized businesses and 94.8 percent by large corporations. Opportunities for bureaucracy reduction are identified when it comes to complying with those selected information obligations which are perceived as particularly burdensome.

The simplification proposals set out in the studies are being examined in terms of their implementability. The studies thus serve as a point of departure for further talks with sector representatives and the competent subordinate authorities.

3. Further projects

Modern regulation in the area of taxation – identification of administrative costs within the framework of regulatory impact assessments

This project of the Federal Ministry of Finance involves the *Länder* Bavaria, Berlin, North Rhine-Westphalia, Rhineland-Palatinate and Saxony and receives methodological support from the Bertelsmann Foundation.

Responsibility for coordination lies with a steering committee; its meetings are attended by representatives of the National Regulatory Control Council and the Better Regulation Unit.

The aim of the project is to develop and test ex ante, within the framework of an impact assessment, a method for ascertaining the burden which implementation costs place on the tax administration. The burden borne by the internal revenue administration could then, as a quantitative decision criterion in the context of tax legislation, be accorded greater weight than before.

The project is scheduled to be launched at the beginning of 2011.

Simpler steps to vehicle registration

The aim of this project of the Federal Ministry of Transport, Building and Urban Development (BMVBS) is, on the one hand, to highlight the procedures through which the vehicle registration process can be structured more efficiently under the current federal legislation. In addition, other possibilities are to be explored for achieving further burden reduction through amendments to federal legislation. For this reason the BMVBS, together with the Federal Statistical Office, will evaluate the pilot regions of the *Deutschland-Online* project on motor vehicle registration services (“*Kfz-Wesen*”). In this way bureaucracy reduction, optimization of “mass processes” and utilization of modern communication technologies are to be taken forward in the area of vehicle registration.

Process Data Accelerator (PDB)

The exchange of data between businesses and public authorities has reached an economically relevant scale. Time and again businesses must transmit data to authorities for the most diverse purposes. Businesses are currently subject to just under 10,000 information obligations following from national laws and regulations, which leads them to incur enormous administrative costs.

With every change in information obligations enacted by legislators, the IT systems used by businesses to comply with these obligations must be updated in line with the new statutory regulations. As a result, there are no suitable information systems available to fulfil many of these obligations. Consequently information obligations must be complied with without the help of computers, which leads to high costs for businesses.

By the end of the year 2011, a measure which is part of the Process Data Accelerator (PDB), the IT Investment Programme, is to have laid the foundations for handling data exchanges between businesses and public authorities without the need to use different media.

The overall concept is being tested through a concrete prototype implementation in businesses and public authorities in the Rhine-Neckar metropolitan region to demonstrate its practical applicability and to gain initial experience with its implementation.

The PDB principle encompasses both methodological elements to analyse and design process chains as well as a technical infrastructure to implement corresponding solutions. In addition, it simplifies communication between businesses and public authorities without interfering with the data autonomy of businesses or compiling central databases. It is an initial innovative step towards a “no-stop government” in Germany.

The PDB principle is practicable for businesses of all sizes as well as for public authorities and, in contrast to many existing information systems, specifically targets small and medium-sized companies, which account for

the majority of businesses subject to information obligations.

By using the PDB principle, existing data redundancies are eliminated, sources of error are reduced and, ultimately, the timely transmission and quality of the reported data are systematically improved. This also leads to considerable cost savings on the part of public authorities. The businesses bound by reporting obligations are relieved of the burden of observing many detailed regulations and continuously conducting updates.

Application of the PDB principle is intended to bring about a change towards more sparing use of data by businesses in fulfilling their information obligations vis-à-vis public authorities and thus to perceptibly lower the administrative costs of both businesses and public authorities.

B.3 Projects for identifying and reducing compliance costs

Apart from the broadening of the impact assessment (see section A.1), compliance costs are also being scrutinized with regard to the law currently in force.

By the end of 2011, measurable compliance costs in the areas specified in the coalition agreement between the CDU, CSU and FDP for the 17th legislative period and in the Cabinet decision of 27 January 2010⁶ are to be identified and ways of reducing them are to be proposed. The aim is first and foremost to streamline and improve procedures whilst maintaining existing standards. An average net burden reduction of 25 percent is being sought.

1. Corporate commissioners

The Federal Government agreed on “Corporate Commissioners”, also referred to as “Officers”, as a pilot project for measuring compliance costs. The first step was to examine the corporate commissioner positions prescribed by law in the following areas:

⁶ See Appendix.

- Dangerous goods (Ordinance on the Appointment of Dangerous Goods Officers, Federal Ministry of Transport, Building and Urban Development – BMVBS);
- Immission control (Federal Immission Control Act, Ordinance on Immission Control and Hazardous Incident Officers, Federal Ministry for the Environment, Nature Conservation and Nuclear Safety – BMU);
- Water pollution control (Federal Water Act, BMU);
- Waste management (Closed Substance Cycle and Waste Management Act, BMU);
- Hazardous incidents (Federal Immission Control Act, Ordinance on Immission Control and Hazardous Incident Officers, BMU);
- Matters relating to severely disabled persons (Book IX of the Social Code, Federal Ministry of Labour and Social Affairs – BMAS).

One objective of the pilot project was to develop the methodological and definitory foundation for the measurement or estimation of compliance costs on the basis of the improved Standard Cost Model and, proceeding from this foundation, make concrete burden assessments for the individual businesses and public authorities which have to comply with the corresponding legislation. In addition, the project was to serve as a clearinghouse for feedback on businesses' practical experience with the federal legislation requiring such corporate commissioners and to identify possibilities for simplification without lowering safety standards.

The surveys of businesses yielded valuable insights for the review of the practical suitability of the provisional definition of compliance costs adopted by the State Secretaries' Committee on Bureaucracy Reduction, especially with regard to the availability of data and the anticipated amount of work necessary for future burden assessments. Identifying

compliance costs on the basis of the adopted definition is time-consuming but possible if those affected by the regulations participate.

The findings on compliance costs for the corporate commissioners in the aforementioned areas have highlighted the fact that the main burdens for businesses stem from the wages and salaries that businesses pay staff for the performance of their duties as corporate commissioners. Compliance costs incurred due to procedural regulations (such as those associated with the appointment of the commissioners or with their monitoring or information functions), by contrast, play only a relatively lesser role. An appreciable reduction of the burden could therefore only be achieved by eliminating or reducing the number of statutory corporate commissioner positions (by raising the business size thresholds for such positions, for example). Time and again, however, the surveyed businesses pointed out that due to the requirements of legislation specific to their operations, so-called specialized legislation, and due to the usefulness of such commissioners for the businesses, they would perform essentially all of the duties of their respective corporate commissioners even if they were under no legal obligation to appoint such commissioners. The noticeable burdens mentioned by businesses in connection with corporate commissioners and the simplification proposals to address them thus primarily concerned the standards following from specialized legislation, compliance with which was monitored by the corporate commissioners. Compliance costs incurred by businesses as a consequence of specialized legislation were not, however, the subject of the study.

In order to verify the findings of the pilot project surveys, the Federal Statistical Office then conducted additional surveys of businesses concerning other corporate commissioner positions. These essentially confirmed the findings of the pilot project: Approximately 50 percent of the costs are attributable to the commissioners' wages and salaries, approximately 30 percent to training (working time of the staff to be trained), and the remaining 20 percent to material costs (provi-

sion of rooms, equipment and resources). The annual costs per commissioner average between EUR 14,000 and EUR 18,000, depending on the business.

Given the results of these surveys, additional, more in-depth surveys were dispensed with. The findings will be documented in a final report.

2. Simplification of electronic submission of business registration notices

The Federal Ministry of Economics and Technology (BMWi) – in cooperation with the *Länder*, which are responsible for implementing the Trade Regulation Code, as well as the Federal Statistical Office and the Better Regulation Unit at the Federal Chancellery – is identifying the measurable compliance costs associated with business registration notices, i.e. in particular those associated with the registration, change in registration and deregistration of a business. It is also to be determined whether the notice procedure can be further simplified and the attendant burden borne by businesses and public authorities further alleviated. Particular attention is being accorded to seamless electronic transmission of business registration notices. The fact that pursuant to Section 14 of the Trade Regulation Code, electronic submission of business registration notices is already possible in principle must also be taken into consideration in this context.

The project was launched on 27 September 2010 on the basis of the submitted project description. The measurement of the compliance costs, which involves selected businesses and business registration authorities, is estimated to take approximately three months.

At their conference on 17/18 June 2010, the federal and *Länder* ministers of economics resolved to commission the Federal Government and *Länder* Committee on Trade Law to examine in the short term the possibilities for simplifying the electronic submission of business registration notices. Corresponding initiatives have already been launched at federal and *Länder* level.

3. Planning and building law for infrastructure projects

The aim of this project is to design an ideal cross-level planning and implementation process on the basis of requirements arising from the relevant federal legislation. Proceeding on the basis of surveys of infrastructure project sponsors and permit authorities conducted by the Federal Statistical Office, the total actual compliance costs are to be measured, deviations from the defined process that lead to greater burdens or costs are to be identified, and insights concerning possible simplifications are to be gained. The focus here is to determine how existing material standards can be complied with more quickly, less bureaucratically and/or more cheaply.

The project concentrates on transport infrastructure. Priority is being given to the road network in terms of federal plan approval legislation. To the extent possible with such surveys, upstream and downstream processes from the beginning of project planning to the opening of roadways to traffic are also being examined.

In cooperation with Bavaria, Brandenburg, Hamburg, Hesse and North Rhine-Westphalia, priority areas in the planning process have already been designated in which the *Länder* suspect particular administrative burdens. The study is therefore devoting particularly close attention to the following phases:

- Draft planning and issue of the “checked and approved” mark;
- Compilation of the documentation required for plan approval;
- Plan approval procedure.

Drawing on concrete projects named by the *Länder* for the upgrading of federal trunk roads and the construction of new bypasses that have already passed through these procedural steps, the Federal Statistical Office is identifying the compliance costs attributable to each planning phase. Processes upstream and downstream from the plan approval procedure, from the beginning of project planning to the opening of roadways to traffic, are being

included to the extent relevant to the projects named by the *Länder*.

The data obtained and insights gained are to be compared with project participants from the air, rail and water transport sectors and simplification possibilities for all modes of transport are to be identified.

Results are expected in 2011.

4. Applications for statutory benefits and services, especially for families and single parents

To achieve further noticeable simplifications for citizens, businesses and public authorities, the Federal Government plans to carry out projects for identifying the compliance costs associated with applying for statutory benefits and services, especially for families and single parents. The identification of the compliance costs entailed in the examined application procedures is to show where the greatest burdens associated with these application procedures lie. On this basis, the requirements of the relevant legislation are to be reviewed to determine whether the compliance costs of the examined application procedures can be reduced.

The ministries concerned are currently considering which application procedures and which participants in particular can be included in the assessment.

5. Applications for statutory benefits and services, in particular for start-up entrepreneurs and small businesses as well as companies facing imminent bankruptcy

The compliance costs incurred in connection with applications for statutory benefits and services for businesses will likewise be assessed by the Federal Government in order to identify possible simplifications. Attention will thereby focus especially on assistance for start-up entrepreneurs and small businesses as well as for companies facing imminent bankruptcy. In this context, the focus will be on examining particularly frequent or complex application procedures to determine how the compliance costs associated with these applications can be reduced.

The ministries concerned are considering which application procedures and which participants in particular can be included in the assessment.

6. Tax declarations, obligations to provide supporting documents for tax and customs purposes

Filing a tax declaration can be considerably time-consuming for the individual. The purpose of this project is to assess the actual administrative burden imposed by the obligations to file a tax declaration and to provide supporting documents for tax and customs purposes. The next step will be to determine where there is scope for optimization of the filing and processing procedure.

7. Applications for statutory benefits and services, especially for people who require long-term care, are chronically ill or suffer from an acute, serious illness

In view of demographic change, the number of people who are chronically ill or require long-term care is expected to increase. Timely identification of the administrative burdens incurred by all involved parties is therefore wise in order to appropriately meet this challenge while maintaining quality standards.

The project targets people who are entitled to benefits and services when they have fallen ill or need long-term care. It must be borne in mind that in such cases these people might be entitled to benefits and services from different agencies. Consequently, interaction among the agencies involved is also important for the assessment of compliance costs and the identification of possible improvements.

The purpose of the project is to elaborate potential simplifications in order to design the application procedure for statutory benefits and services as inexpensively and efficiently as possible for the applicant and all the institutions and agencies involved.

8. Harmonization and shortening of retention and evaluation periods under commercial, tax and social legislation

B. Measurement and reduction of existing burdens

The different retention periods for documents (such as invoices) stipulated in the various fields of law can constitute a noticeable burden for businesses. For this reason the Federal Government has made the harmonization and shortening of retention and evaluation periods a focal area for the identification and assessment of compliance costs. While partial harmonization of the pertinent provisions of commercial and tax law has already been achieved, the goal is to gain further insights

into the burdens borne by businesses and tap further potential for harmonization.

The Federal Ministry of Finance, together with the Federal Ministry of Justice and the Federal Ministry of Labour and Social Affairs, is currently examining the possibilities for further harmonization and a potential concomitant shortening of retention periods.

C. Cooperation with others

C.1 *Länder* and local authorities

Cooperation with the *Länder* and local authorities will be further intensified in regard to both the examination of existing burdens (see section B.3) and the assessment of new burdens (see sections A.1 and A.2). The common goal of the Federal Government, the *Länder* and local authorities is to give the Members of the German Bundestag and the Bundesrat as realistic a picture of the actual anticipated burdens as possible. Since many regulatory powers fall solely within the sphere of competence of the *Länder*, local authorities and other self-administrating bodies, however, and are only exercised after corresponding decisions have been taken, these assessments can only be general estimates. The manual for the identification of compliance costs associated with federal projects, which is presently being compiled, will also contain directions for the assessment of the administrative burdens incurred by *Länder* and local authorities in carrying out federal regulations.

C.2 Self-administrating bodies

Social security institutions

Cooperation with the social security institutions continued unabated in 2010. The most important outcomes of a high-level meeting and several meetings of the respective working groups with the social security institutions are set out in the following:

Several proposals for bureaucracy reduction resulting from previous cooperation in the health care sector have been endorsed by the National Association of Statutory Health Insurance Funds and the National Association of Statutory Health Insurance Physicians (KBV) and are currently being implemented.

To reduce administrative burdens in the area of documentation, for instance, the **Federal Joint Committee** (G-BA) amended the guidelines for cancer screenings for women and men, and for early detection screenings for children, young people and adults. The results

of the anamnesis and examinations as well as the treatment or measures prescribed or recommended on the basis of the medical check-ups will continue to be documented on a report form. In contrast to the previous procedure, however, the copies originally intended for submission to and storage at the respective association of statutory health insurance physicians will be dispensed with in the future.

To further reduce bureaucracy, a switchover to electronic documentation is envisioned as soon as electronic health professional cards bearing the qualified signatures of health professionals become available nationwide.

In the interest of simplification and to avoid duplicate documentation, there are plans to in future afford statutory health insurance physicians the option of documenting the results of certain early detection screenings in electronic form. Up until now, the use of paper forms has been required.

In the area of rehabilitation, a harmonization of the procedures for prescribing rehabilitation treatment is presently being discussed which would, to the greatest extent possible, merge the previously separate medical rehabilitation prescription forms used by the statutory health insurance funds (GKV) and the German pension insurance into a single form.

In addition, the expert assessment procedure in the field of psychotherapy is currently being reviewed to identify possible areas of simplification.

In 2010 the **National Association of Statutory Health Insurance Physicians** (KBV) tested application of the ex ante procedure within the framework of four pilot projects (quality assurance agreement on balneophototherapy, quality assurance agreement on gastroscopy, evaluation within the framework of the social psychiatry agreement, and outpatient coding guidelines). In addition to quantification of the administrative burdens, this also encompassed the identification of

simplification proposals in order to minimize the administrative burdens as much as possible from the very beginning. The aim is to introduce the procedure for all regulation involving the KBV. In order to also incorporate regulation undertaken in the Federal Joint Committee (G-BA), the KBV has developed a concept for institutionalizing the ex ante assessment at the level of the self-administrating bodies.

Together with the Westphalia-Lippe Association of Statutory Health Insurance Physicians it is moreover conducting a measurement of the administrative costs generated by the physicians' billing procedure.

The **dental profession** is in the process of identifying the administrative burdens generated in dental practices. The National Association of Statutory Health Insurance Dentists (KZBV) and the German Dental Association (BZÄK) consider the SCM manual developed by the KBV to be suitable for measuring existing administrative burdens in this area. The KZBV and the BZÄK have studied this instrument and have contacted the KBV in this regard. After adapting the SCM manual to the dental sector, it is to be used to identify administrative burdens in dental practices in order to begin targeted burden reduction. In addition, the BZÄK and the KZBV are collecting and systematizing examples of burden reduction measures for office-based dentists to serve as a basis for the elaboration of concrete restructuring proposals.

Within its own purview, the **Federal Employment Agency** (BA) is supporting the Federal Government's bureaucracy reduction efforts across the board. It is continuously working to streamline internal processes and thus ultimately cut administrative costs. One goal of the BA is to eliminate its own information obligations which exceed the scope prescribed by law. An internal procedure has consequently been introduced which requires that all new resolutions of the Executive Board be subjected to an ex ante assessment in line with the SCM. Furthermore, the BA has simplified applications for unemployment benefits and is currently working on the implementation of

the electronic income record (ELENA) procedure.

The **German Federal Pension Insurance** (DRV) has already undertaken a multitude of activities to cut red tape and has successfully reduced administrative burdens. To alleviate the burden on businesses, for instance, the external wages tax audit and the audit of company records by the DRV may, at the company's request, be conducted simultaneously. The audit for the statutory accident insurance scheme has already been assigned to the audit conducted by the DRV. In the future the audit by the DRV can also be conducted electronically, thus significantly shortening or even entirely eliminating on-site audits. To alleviate the burden on citizens, the insured may use the new German national identity card with online functions to electronically access information on their pension insurance account (provisional pension forecast, insurance history and full pension statement). In addition, DRV pension entitlement notifications have been worded in more "citizen-friendly" language in order to reduce perceived bureaucracy generated by officialese. Initial feedback confirms that the insured feel better informed by the new notifications. Comprehensible and friendly notifications simplify the work, save time and thus reduce the DRV's already low administrative costs.

The **German Social Accident Insurance** (DGUV) is encouraging its member accident insurance institutions to simplify submission of the indispensable accident reports by enabling electronic transmission. A large percentage of members have already made this possible.

In the case of electronic transmission of new business notifications, the DGUV has intensified contacts with several *Länder* and elaborated proposals for a uniform data format and a uniform procedure. These have been well received. In addition, the DGUV has invited all of the *Länder* to conduct a workshop on this topic in order to reach a coordinated procedure.

Moreover, **umbrella organizations of the social insurance scheme** across the board have taken up the recommendation of the Bundesrechnungshof (Federal Court of Auditors) that the procedure for retroactive recovery of social insurance contributions be modified. In the future, only one health insurance fund per employer is to retroactively recover social insurance contributions. This will alleviate the burden on the health insurance funds overall and simplify the procedure for the pension insurance funds and the affected employers.

Chambers (of the business sector)

In 2009, the Federal Government and the chamber organizations agreed to cooperate more closely in order to also assess the regulations adopted by the chambers themselves in areas of competence assigned to them by law or by ordinance. To this end, working groups were set up at the end of 2009 for the following four areas: chambers of commerce, health care professions, legal and economic advisory professions, and technical professions.

In the area “chambers of commerce”, three chambers of industry and commerce – Cologne, Stade and the Stuttgart region – declared their willingness to have their own regulatory stock measured. The Federal Statistical Office will conclude these measurements by the end of 2010.

C.3 European Union

In his political guidelines of 3 September 2009, European Commission President Barroso announced that the Commission’s previous policy to promote better regulation would be further developed into “smart regulation” and he would make this a focus of the work of the new Commission.

In its Communication of 8 October 2010⁷ bearing the same name, the European Commission stressed the importance of the smart regulation agenda – direct responsibility for

which has now been taken by the President of the Commission – in order to achieve the objectives of the Europe 2020 strategy for smart, sustainable and inclusive growth. With its firm embedding at the Secretariat-General of the Commission, the agenda is to be secured high visibility as a horizontal priority task incumbent upon all Directorates-General. The Communication mainly sets out the changes specified in the following.

The existing programme to simplify EU legislation and the Action Programme for Reducing Administrative Burdens, which envisions a 25 percent reduction in the red tape caused by EU legislation by 2012, will be merged into one comprehensive concept.

In the future, the smart regulation agenda is to address the entire policy cycle – from the design of a piece of legislation to implementation, enforcement, evaluation and revision. To this end, the existing impact assessment system will be supplemented through the introduction of ex post evaluations of existing legislation, reviews of entire policy areas within the framework of so-called “fitness checks”, and the aspect of implementation and enforcement of EU legislation.

The Federal Government welcomes the Commission’s commitment to publish – for all proposals that are likely to have “significant impacts” – so-called “roadmaps” containing details about planned impact assessments. Where no impact assessment is planned, the reasons for this – in keeping with a recommendation of the European Court of Auditors (see below) – are to be explained in detail. The introduction of ex post evaluations and fitness checks is likewise viewed positively by the Federal Government; their concrete design, however, remains to be seen. Attention must be given in this context to avoiding duplication with the reviews stipulated in numerous pieces of legislation.

At the same time, the Commission underscores the shared responsibility of all European institutions and of member states for better regulation and impact assessment. The European Parliament and the Council are

⁷ “Smart Regulation in the European Union”, http://ec.europa.eu/governance/better_regulation/documents/com_2010_0543_en.pdf.

called upon to conduct their own impact assessments when contemplating significant amendments to Commission proposals and to accord greater consideration to the Commission's impact assessments in their discussions. The member states are assigned an important role in the area of better regulation. The new competence of the national parliaments under the Treaty of Lisbon to check the application of the subsidiarity principle in Commission proposals also serves to improve the quality of EU legislation. In addition, the member states are in particular to increasingly utilize their own impact assessment systems to review EU legislation.

The mandate of the High Level Group of Independent Stakeholders on Administrative Burdens was extended until the end of 2012. At the same time, the Group was asked to present a report by November 2011 on best practices of member states in implementing EU legislation in the least burdensome way. In parallel the Commission will further analyse the issue of so-called "gold plating" – this term refers to the process of going beyond what is required in EU legislation when transposing it into national law.

Finally, the Commission announced steps to further strengthen the voice of citizens and stakeholders. As from 2012 the public consultation period is to be increased from eight to twelve weeks, and the existing instruments of the consultation procedure are to be subjected to a review. Both the lengthening of the consultation periods and the announced review are welcomed by the Federal Government as a necessary first step to improve the opportunities of citizens and interest groups to participate in the opinion formation process at EU level.

On 29 September 2010 the European Court of Auditors (ECA) presented its report on impact assessments in the EU institutions.⁸ The ECA

expressly acknowledges the progress achieved in recent years but at the same time sees a need for further improvement in all EU institutions. In the case of the European Commission's impact assessments, for instance, the ECA criticizes the insufficient transparency and lack of reasons for the selection of the examined legislative proposals and, in particular, the inadequate quantification of the enforcement and administrative costs. The European Parliament and the Council, it states, only rarely performed supplementary impact assessments on their own amendments.

Overall, the ECA report can give important impetus to strengthen the role of impact assessments in decision-making at both EU and national level.

C.4 Organisation for Economic Co-operation and Development

The Organisation for Economic Co-operation and Development (OECD) has very positively assessed the Federal Government's work thus far within the framework of the Bureaucracy Reduction and Better Regulation Programme: In their study "Better Regulation in Europe: Germany 2010" published in April 2010, the experts concluded that significant progress had been made since the last OECD review in the years 2003 and 2004.

The establishment of the National Regulatory Control Council (NKR) as an independent expert body, for example, had been a great success, the report said, for the input of the NKR during the legislative process was able to prevent a great deal of unnecessary red tape already in the preparatory phases of drafting legislation. Not least due to this positive effect, the experts concluded, a broadening of the competences of the NKR was desirable.

In its Cabinet decision of 27 January 2010, the Federal Government already declared its willingness to support a broadening of the

⁸ Special Report no. 3/2010 "Impact Assessments in the EU Institutions: Do They Support Decision-Making?" (http://ec.europa.eu/commission_2010-

[2014/president/news/documents/pdf/20100928co_a_impact_report_en.pdf](http://ec.europa.eu/commission_2010-2014/president/news/documents/pdf/20100928co_a_impact_report_en.pdf)).

NKR mandate to include the examination of compliance costs.

The Better Regulation Unit established at the Federal Chancellery coordinates and identifies the reduction of administrative burdens for the entire Federal Government. The OECD sees this organizational centralization as a key element conducive to an overall strategy in the area of better regulation.

By designating the 25 percent reduction target as a so-called “net target” and broadening the scope to encompass not just information obligations but compliance costs in general, the Federal Government has fulfilled a further recommendation of the OECD.

Annex

Implementation plan of the Federal Government for the achievement of the 25 percent net reduction target for administrative costs incurred by businesses as a result of information obligations

(Data as of 30 November 2010)

1. Overview of total burden increases/reductions

	Total*	<i>Attributable to national level**</i>	<i>Attributable to EU/international level**</i>
	in EUR billion		
Baseline: Annual administrative costs incurred by businesses as a result of information obligations 30 September 2006	49.98	23.11	24.81
Changes in the 16 th legislative period	-6.40	-5.74	-0.66
Net percentage reduction in the 16 th legislative period	-12.8%	-24.8%	-2.7%
Measures implemented in the 17 th legislative period (Cabinet decisions up to 30 November 2010)	-0.30	-0.21	-0.08
Net percentage reduction achieved thus far	-13.4%	-25.7%	-3.0%
Measures still to be implemented according to the implementation plan	-4.58	-1.47	-3.08
Total reduction	-11.27	-7.42	-3.82
Balance	-22.6%	-32.1%	-15.4%

* Taking into account the prospective burden increase of EUR 2.05 billion

** Allocation of burden increases/reductions to national and EU/international level has not been made in all cases

2. Overview of changes in administrative costs by ministry

	Projects in the 17 th legislative period		Overall reduction in administrative costs since 2006
	Number	Net burden increase/reduction in EUR million	
Total	145	-4,875.0	-11,273.5
Federal Ministry of the Interior	4	-121.9	-168.7
Federal Ministry of Justice	5	-30.1	-2,531.5
Federal Ministry of Finance	29	-4,156.3	-5,611.1
Federal Ministry of Economics and Technology	17	-251.1	-212.2
Federal Ministry of Labour and Social Affairs	8	-37.2	-1,853.4
Federal Ministry of Food, Agriculture and Consumer Protection	13	-0.1	-134.4
Federal Ministry of Defence	1	-0.1	-0.1
Federal Ministry for Family Affairs, Senior Citizens, Women and Youth	1	-0.1	-0.9
Federal Ministry of Health	13	-143.5	-232.1
Federal Ministry of Transport, Building and Urban Development	26	0.8	-27.4
Federal Ministry for the Environment, Nature Conservation and Nuclear Safety	22	-133.5	-516.5
Federal Ministry of Education and Research	4	-2.2	-4.9
Federal Government Commissioner for Culture and the Media	2	0.1	-0.1

Appendix

Cabinet decision of 21 April 2010: Key points on initial measures to reduce burdens on citizens and public authorities

The reduction of bureaucracy is one of the Federal Government's key political aims. There are numerous burdens currently placed on citizens and public authorities which could be minimized without diminishing the effectiveness of statutory regulations. The following initial projects aim to significantly reduce processing, waiting and journey times for citizens and public authorities alike.

Bureaucracy reduction and vehicle registration for the people

The Federal Government is taking rigorous steps to reduce bureaucracy, optimize "mass processes" and utilize modern communications technologies in the field of vehicle registration. Road safety, system integrity, the cost-benefit ratio, user-friendliness and cost-effectiveness in the business sector are being viewed as a single entity.

Before the end of the year we want to introduce transferable number plates, so that a driver can register two vehicles under a single number. Such transferable number plates can be used for two cars (e.g. a "normal" car and an electric or particularly low-emission car) and enable the holder to make savings on his/her car insurance.

We are furthermore investigating the idea of a temporary licence plate issued by an insurer rather than a registration agency, which would be valid for up to five days. This would mean that vehicles could be insured and used at short notice independently of agency opening hours, etc.

The Federal Government will conduct the pilot projects as part of "Deutschland-Online". These projects will above all make use of regional capacities for streamlining administrative processes (e.g. cooperation with local authorities and registration offices). The Government will also enable citizens to make applications online. Together with the *Länder*

it will analyse the results quickly and start to implement the first measures.

Simplifying secure electronic communications

E-mail has become a medium of mass communication, which is used as a matter of course for both private correspondence and in dealings with public authorities and business partners. In order to enhance the functionality and acceptance of electronic communications, it is necessary to have reliable and secure infrastructure that combines the advantages of email – in particular ease of use – with security and data protection. The introduction of De-Mail services by the end of 2010 will create a platform through which the dispatch and receipt of De-Mails can be proven and the identity of the communicators authenticated.

Modernization of the administration

The Federal Government will adopt a programme entitled "Network-Based and Transparent Administration" by July 2010 with a view to modernizing the federal administration. The administrative agencies are to be made more efficient and user-friendly, and able to respond to demographic change, globalization and the advancing digitization of our everyday lives. Measures will include the following: making greater use of federal administrative service centres, promoting career development for staff and managers, providing a healthy working environment and constantly modernizing information and communications technology by further enlarging the range of federal e-Government services.

As one of its first projects, the Federal Government will by the end of 2010 introduce a central telephone number (115) for all enquiries regarding federal services.

Simplifying financial support for students (BAföG)

The 23rd Amendment to the Federal Training Assistance Act. will introduce a fixed-rate housing allowance for students. This will benefit applicants and authorities alike by eliminating the burdensome process of providing and checking quantities of documentary evidence, which was previously gone through although almost all students not living with their parents ultimately received the full housing allowance.

Amending the Road Traffic Regulations (StVO)

The obligation to replace old traffic signs with ones of the new design will be scrapped. The Federal Government will introduce a new regulation before the end of the year, which will prevent unnecessary bureaucratic and financial outlay, above all for local authorities.