

Case study: Reducing administrative burden for EU businesses

Deloitte entity:	Deloitte Belgium, lead firm (with support from 26 additional EU Member State firms)	Timeframe:	2007 to 2010
Client name:	The European Commission Directorate-General for Enterprise and Industry	Services supplied:	Human capital/strategic change and organization transformation; technology change management; cost reduction and asset optimization, performance improvement, supply chain manufacturing, operations; public policy and evaluation services; restructuring; enterprise risk services
Topics:	Business cost reduction (Strategy and Operations)	Contact:	Richard Doherty, Deloitte Belgium (rdoherty@deloitte.be)
Countries:	27 EU member states		

As part of its effort to enhance European competitiveness, the European Commission launched a program to measure the costs associated with EU legislation, develop burden-reduction proposals, and identify strategies to implement changes. A Deloitte team, as part of a consortium, helped develop a structured project plan for the 27 EU member states that mapped, measured, and reduced administrative costs. Chief among the findings was that a 25 percent reduction of administrative burden would amount to some €25 billion in cost savings for businesses.



The situation

Over the past decade in Europe, some EU legislative reporting requirements were increasingly perceived as “needlessly time-consuming, excessively complicated or useless.” They took businesses away from their core work and, thus, were seen as hampering economic activity. So much so, that in 2006, the Commission officially defined the distinction between administrative “costs” and administrative “burdens,” with burdens termed those expenses linked to information that businesses would not collect if not legally obligated.¹

In 2007, the European Commission presented the “Action Programme for Reducing Administrative Burdens” aimed at reducing administrative burdens on EU businesses by 25 percent by 2012. The 27 EU member states were also invited to set national targets of comparable ambition. The key elements of the Action Programme included:

- Measuring the administrative costs for businesses stemming from European legislation and seen as creating the most

burden, focusing on 13 priority policy areas: agriculture, company law, cohesion policy, environment, financial services, fisheries, food safety, pharmaceutical legislation, public procurement, statistics, tax law (VAT), transport, and working environment/employment relations

- Identifying opportunities for the reduction of administrative burden
- Developing communications activities to support the delivery of the project

The Action Programme was grounded upon the notion that considerable savings in administrative costs can be achieved from minor changes in legislation as well as procedural simplification. However, measuring the administrative costs and identifying the savings opportunities for all 27 member states was going to pose a significant challenge. Adding to the challenge was the fact that much of the European-level legislation had been

adopted by member states and established as national legislation, often creating additional burdens..

The solution

Implementing the Action Programme would require a large-scale examination and measurement of administrative costs across the EU as well as a strategy to implement structural and policy reform. A Deloitte team, based in Belgium, in collaboration with Capgemini and Rambøll Management, was appointed to carry out administrative cost measurement, develop burden-reduction proposals, and identify strategies to implement changes. It was essential that the consortium employ a broad approach that addressed the issue at both the EU and Member State levels. Furthermore, support from regional and national governments and other key stakeholders would be critical to the success of the Action Programme and the overall project.

The consortium developed a structured project plan consisting of five modules designed to map, measure, and reduce administrative costs and burdens associated with legislation from the key priority policy areas identified in the project scope. These modules were as follows:

1. Analysis and mapping of EU legislation as it related to "Information Obligations." These obligations required businesses to report on a variety of activities and created significant administrative costs. Identifying where the burden was heaviest for businesses and what industries were most impacted would allow the EC to take a targeted approach to reducing costs.
2. Creating an inventory of all pieces of legislation that transposed EU directives at the national level.
3. Interviews with businesses and domain experts to measure the administrative costs and burdens identified in the preceding modules.
4. Workshops with businesses and domain experts to measure the administrative costs and burdens identified in the modules 1 and 2.
5. Development of burden-reduction recommendations and dissemination of results.

To support the overall project, the consortium also engaged in a number of other critical activities. An

innovative revision of the standard cost model was devised to allow the consortium to compare costs at the EU and national levels. Web-based IT systems were developed and customized to help track progress and provide access to tools. The team also organized training sessions, worked regularly with both European and national government contacts and ministries, and developed a communications model for use by the European Commission and other stakeholders.

The outcomes

The project yielded the first complete overview of how EU legislation for the selected 13 policy domains had been transposed and implemented in the member states. The work from Modules 1 to 4 resulted in a database of Information Obligations and their cost data. The measurement work of the 13 priority areas in scope identified administrative costs and what would be considered an administrative burden.

Chief among the findings was that that some 80 percent of administrative costs could be considered administrative burden—and that a 25 percent reduction of administrative burden in the selected domains would amount to some €25 billion in cost savings for businesses. Examples of burden-reducing reporting measures that were adopted include:

- More electronic VAT invoicing
- Reducing reporting requirements for corporate mergers or division
- Use of digital tachographs—a device that automatically records a vehicles' speed and distance—in road transport

"In order to remain globally competitive, it is important for the European Union to seek to constantly deliver efficiencies within and between the public sector and industry," says partner Richard Doherty from Deloitte Belgium. "The Action Programme has been a critical component of one stage in this process."

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¹European Commission: Better regulation.

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