

**Manual for conducting
Standard Cost Model measurements**

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1 Introduction

Business and industry is subject to a range of different requirements and obligations imposed by officialdom. This is done in order to regulate the businesses conduct so that overall social considerations are observed. But if the businesses are subjected to expenses through regulation, that could have been avoided, then it is a matter of a societal waste. It is thus possible to regulate the businesses' conduct in a more optimal – and, for the businesses, a less resource intensive – manner, without the overall societal objectives with the regulation being set aside.

In its growth strategy *Growth with purpose* from 2002, the Danish government has, therefore, taken as its objective the reduction of the administrative burdens year on year for business and industry whereby, in 2010, it will be reduced by up to 25 per cent. In order to achieve this aim the government has, in connection with the action plan *A more business-friendly public sector*, published goals regarding the extent by which each individual ministry is to reduce the administrative burdens. At the same time it has been decided that there will be an annual follow-up of the preceding year's efforts by the ministries aimed at reducing the burdens. The goal of reducing the administrative burdens by 25 per cent was most recently brought up again in connection with the Government Basis II of February 2003, in which, for example, it is stated that "The government wishes to ease the politically conditioned costs and reduce the businesses' administrative difficulties".

By means of a Standard Cost Model measurement – An activity-based measurement of the businesses' administrative burdens – it is possible to follow up the government's objectives, because it is possible to follow the development of the administrative burdens. At the same time the results from the Standard Cost Model measurements are directly applicable in connection with the ministries' rule simplification efforts, in that the results can be employed to show that rule simplifications are necessary if the administrative burdens are to be reduced.

Different types of Standard Cost Models measurements

A Standard Cost Model measurement may consist of a measurement of the *anticipated* administrative consequences of a draft law, draft executive order or other initiative. Such a measurement is designated an **ex-ante** measurement of the administrative consequences insofar as it is a matter of a measurement of the administrative consequences of a rule or initiative before it is implemented. The results from an ex-ante measurement may, for example, form part of the overall consequence assessment of a bill's economic and administrative effects on the public sector, businesses, citizens, environment etc.

A Standard Cost Model measurement can also consist of the *factual* administrative consequences for the businesses in respect of an implemented law, statutory instrument or other initiative. Such a measurement is designated an **ex-post** measurement of the administrative consequences, insofar as it is a matter of measuring the administrative consequences that are brought about after the rule or initiative has come into effect and has been able to be "felt" in the businesses. An ex-post measurement is carried out when an initial

measurement is to be made of the overall consequences regarding a rule area, known as a **baseline measurement**.

A baseline measurement is a statement of the overall administrative costs that Danish businesses have in following a *current* set of rules at a given point in time. A baseline measurement may be made of selected parts of the regulation or of the entire regulation that encompasses the businesses.

Ex-post measurements are, however, also conducted in order to keep the baseline measurement **updated** with the consequences of new or amended rules. By constantly keeping the baseline measurement updated it becomes possible to follow the development of the overall administrative costs within a sector, whereupon it can be followed up with regard to the government's goal of reducing administrative burdens by up to 25 per cent in 2010.

The carrying out of a Standard Cost Model measurement – whether it is a question of an ex-ante or an ex-post measurement – is dealt with in greater detail in chapter 3.

The Danish Commerce and Companies Agency has the responsibility for carrying out both the ex-ante and ex-post measurements. The measurements cannot, however, be carried out without extensive involvement by the relevant government departments, insofar as these possess the professional expertise in the legislative areas. The actual measurements are conducted by external consultants. Ultimately the business organisations will also follow the measurements.

The objective of the manual

This manual describes how a Standard Cost Model measurement is to be carried out. The aim of the manual is for it to provide an exhaustive description of the Standard Cost Model method, whereby the most important questions in connection with the employment of the method may be answered by reference to the manual. It is, however, important to stress that the method is not static. The fundamental principles remain intact, but elements in the method will be constantly developed in line with the method being employed in new areas and in relation to new problems. The manual is not, therefore, definitive, but will be updated in keeping with the method's continued development.

The current version of the manual is thus the fourth edition. The manual has been under constant development in connection with the carrying out of the baseline measurements that have been carried out to date. At the same time use has been made of international experiences through what is termed the International Standard Cost Model network. This network maintains cooperation with a number of countries that all employ the Standard Cost Model in connection with the measurement of the administrative costs to which the businesses are subjected through business-related regulation.

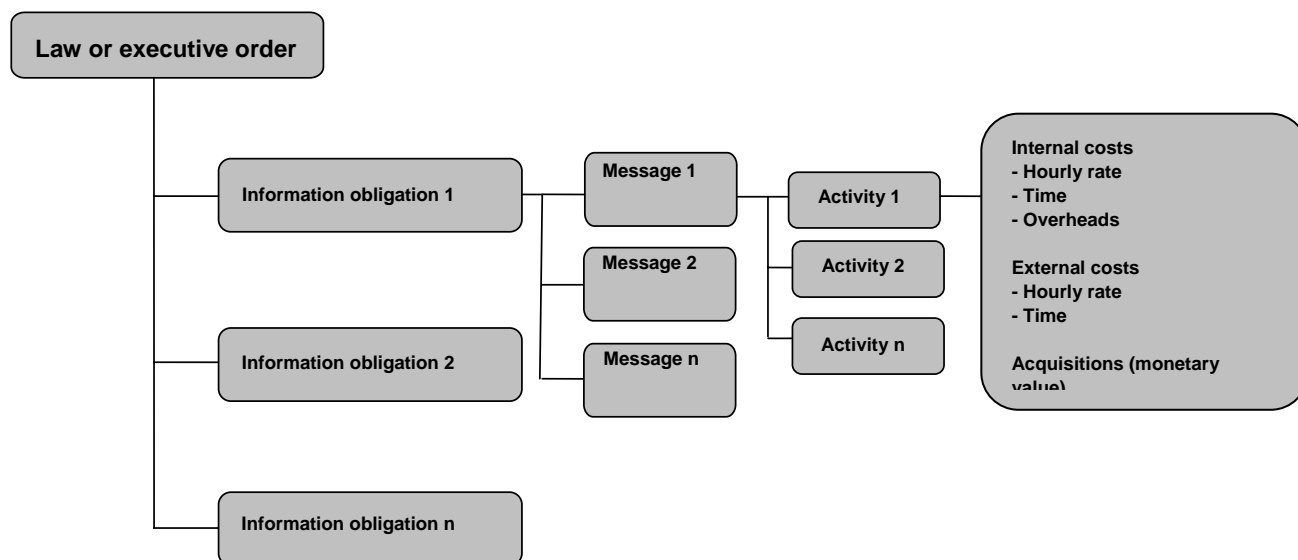
The manual is structured so that chapter 2 contains an examination of the key concepts in relation to the method. Chapter 3 provides a step-by-step description of how an ex-ante or ex-post measurement is carried out.

2 The Standard Cost Model method

In order to be able to conduct ex-ante and ex-post measurements of the administrative costs in respect of regulation, what is termed the Standard Cost Model method is employed. With the method it is possible to identify standardised figures for the resources used by businesses in order to comply with specific laws and executive orders.

The Danish name for the Standard Cost Model – “AMVAB” stands for ‘Aktivitetsbaseret Måling af Virksomhedernes Administrative Byrder’ [Activity-based Measurement of the Businesses’ Administrative Burdens]. The SCM/AMVAB method involves identifying those textual parts of regulation that require businesses to make information available to the authorities or third parties. These information obligations may be further sub-divided into a number of pieces of information that the businesses are required to make available – these are known as messages. In order to produce the information concerned the businesses have to carry out a range of standardised administrative activities (e.g. gathering of information in the business). These activities require, on the one hand, an internal resource consumption in the form of use of employees’ time and, on the other hand, an external consumption of resources in the form of fees for auditors, external experts and the like. Taken as a whole the administrative costs of a piece of legislation are the costs that are associated with having to carry out the various administrative activities. Figure 1 below illustrates the relationship between information obligations, messages, administrative activities and cost parameters.

Figure 1: Breakdown of a law or rule by means of the Standard Cost Model method



The basic idea behind the method is that typical businesses¹ are interviewed about how much time and money is spend performing those administrative activities that are necessary, in order to fulfil an information obligation. Based on personal interviews with business representatives, the costs for a normally efficient business² are determined. By extrapolating data it is thereby possible to arrive at an overall statement of the administrative costs associated with a given rule.

The methodological strength of the Standard Cost Model method is that it is characterised by a high degree of detail in the measurement of the administrative costs of the businesses. The result of a measurement of the businesses' administrative costs will, however, never be able to reflect the actual administrative costs 100%. Both the Dutch and the Danish experiences to date show, however, that the businesses are better able to assess time and resource consumption in connection with the individual rules, by means of this method, than has been the case with earlier forms of investigation. In addition the method's strength lies in the fact that it is highly action-orientated in connection with the rule simplification work that is a natural extension of a Standard Cost Model measurement. By means of the method it is thus possible to point out some specific parts of the legislation that are particularly difficult for the businesses to comply with.

2.1 The objective of the Standard Cost Model measurement

The Standard Cost Model measurement of the businesses' administrative costs serves five overall objectives:

- 1) Measuring the entire administrative costs for Danish businesses at a given time, i.e. the execution of the actual baseline measurement.
- 2) Providing an overview of the development in the administrative costs for the businesses as a consequence of amendments to the business-related legislation both seen as a whole, but also at the ministerial level. This is accomplished by constantly keeping the baseline measurement updated by means of ex-post measurements.
- 3) By means of the ex-ante measurements, estimating the administrative costs for the businesses in the event of new and amended rules, including the consequences of new business-related initiatives (especially digitalisation initiatives).

¹ The typical business is found through a "screening" of a range of businesses. This point is dealt with further in section 3.3.1.

² Normally efficient businesses are understood to mean businesses that handle their administrative tasks in a normal manner. That is to say that the businesses deal with the tasks neither better nor worse than can be expected. The concept is extended further in section 2.3.3.

- 4) Contributing with input to rule simplification and inspiration for new digital initiatives. A baseline measurement reveals where in the business processes the administrative costs occur, and thus where rule simplification can be applied to greatest effect. The collected data may be employed in analysing how amendments to the information obligations, that a given regulation imposes on the businesses, will affect the administrative costs. The baseline measurements are therefore, in themselves, an important tool in connection with the aim of lessening the administrative burdens by up to 25 per cent in 2010.
- 5) Finding information regarding possible best practice among businesses. Compared with time and resource consumption in e.g. the normally efficient business, this can be utilised for teaching other businesses how they may deal with their administrative activities in a cheaper and more efficient manner.

2.2 Definitions and concept explanation

The Standard Cost Model method is a way of decomposing or breaking down laws, executive orders, and any other type of regulation into a range of manageable sizes, that can be measured. In a Standard Cost Model measurement it is not the actual objective of the regulation that is focused on. Thus, with the measurement there is no question mark set against whether it is reasonable for certain businesses to sort out waste or to draw up a workplace evaluation. It is only the administrative activities in the businesses that the regulation generates (e.g. that certain businesses shall keep accounts of the waste flow), that are focused on. What is of interest are the *information obligations*, that are imposed on the businesses, in order for official authorities to be able to enforce and control the law.

The most important concepts of the method will be defined in the following.

2.2.1 Administrative burdens versus administrative costs

As stated in the introduction it is the businesses' administrative costs that are measured by means of the Standard Cost Model. The difference between administrative costs and administrative burdens is:

Administrative costs

The costs regarding the administrative activities that businesses have to carry out in order to comply with the information obligations that are imposed through official regulations³.

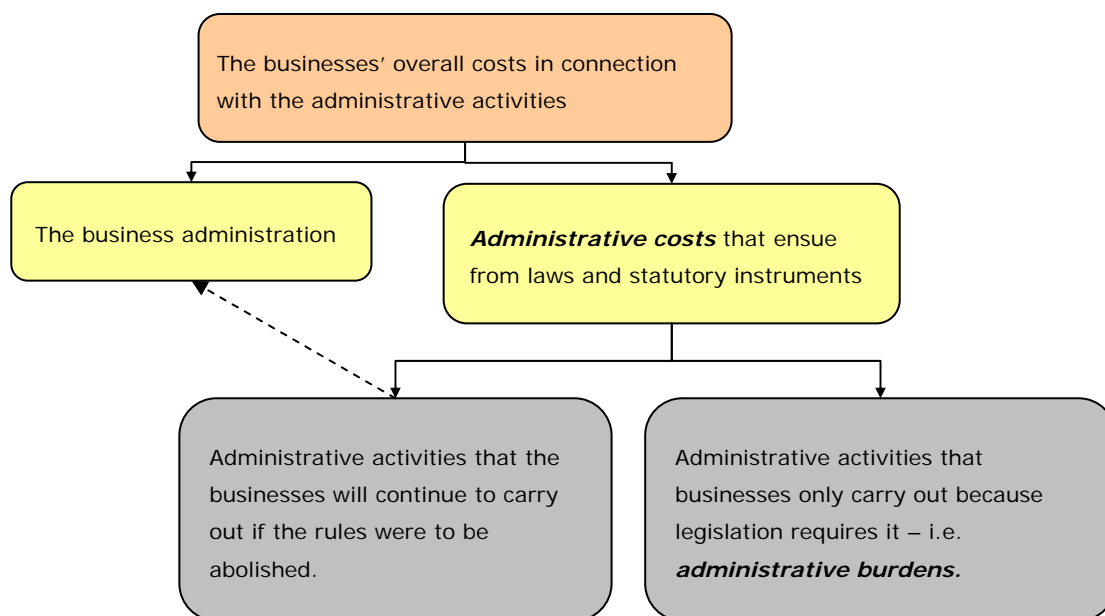
³ Official regulation means all regulation that is implemented in Danish law. This thus also applies to EU-directives and other international rules that are implemented in Danish law, and the direct working EU-regulation that may have been implemented in Danish legislation in the form of laws or executive orders. Other direct working EU-regulations are not measured.

Administrative burdens

That part of the administrative costs that the businesses sustain simply because it is a requirement from officialdom.

The administrative burdens are thus a subset of the administrative costs in that the administrative costs also encompass the administrative activities that the businesses will continue to carry out if the rules were to be abolished.

Figure 2: Illustration of the concepts administrative costs and administrative burdens:



All administrative activities that belong under **business administration**, i.e. administrative tasks that the business carries out in connection with running the business and that are not statutory, are not included in the measurement.

2.2.2 Information obligations

The fundamental concept behind a Standard Cost Model measurement is to focus on the information that the businesses, as a consequence of official regulations, are to provide and typically submit to the public sector or communicate to a third party. These obligations to provide information and data to the public sector or third parties are termed *information obligations*:

An information obligation is the passage in a law or regulation text that requires a business to provide or draw up information, and make this available, i.e. a duty that the business cannot avoid without entering into a position of opposition to the law.

An information obligation does not necessarily mean that the businesses have to send in the information to a public authority as is, for example, the case with VAT accounts. It can also be a matter of information that the businesses have to have available and forward/display upon request, such as a an assessment of work and health for example. In Box 1 there is shown, respectively, an example of an information obligation that businesses, according to law, are required to report in to public authorities, and an information obligation that businesses, according to law, are required to make available to customers.

Box 1: Examples of information obligations

Example 1: Information obligation towards a public authority:

Joint stock companies' obligation to send in an audited set of annual accounts to Danish Commerce and Companies Agency.

Example 2: Information obligation towards a third party:

According to statutory instrument regarding energy marking etc. of new passenger cars" the car dealers shall mark the cars with their fuel consumption.

2.2.3 Message

Each information obligation consists of a range of different information that the businesses shall provide in order to be able to comply with the information obligation – these are the messages.

Messages comprise the information that is, for example, required in the individual classifications in connection with a reporting in schedule. An example of a message is shown in Box 2.

Box 2: Examples of messages associated with an information obligation

Example 1:

In connection with joint stock companies' duty to submit an audited set of annual accounts (information

obligation) a range of messages are required of the businesses. This relates, for example, to

- management report and management endorsement
- statement of assets
- statement of liabilities
- equity capital statement

Example 2:

In connection with the information obligation regarding energy marking of passenger cars there are, for example, the following messages:

- The passenger car's fuel consumption
- The passenger car's CO2 emission
- Annual ownership charge

2.2.4 Administrative activity

The time and resource consumption that the businesses use in providing the information that is necessary in order to comply with a given message requirement, is measured by analysing the administrative activities in the individual businesses.

Box 3 shows which administrative activities that, e.g. are associated with the message "liabilities" in connection with the information obligation "submission of audited annual accounts":

Box 3: Examples of administrative activities

In connection with the message "liabilities", the following administrative activities in the businesses are associated:

- gathering of information
- registration of the information
- insertion of the information in a digital or physical form
- checking of the information

The administrative activities are described further in section 3.2.1 in Box 15.

2.2.5 Cost parameters

In order to calculate the resource consumption in connection with an administrative activity, it is necessary to identify the cost parameters that are associated with the activity.

Cost parameters are the expense variables that are associated with the individual administrative activities.

The cost parameters that are included in the Standard Cost Model measurement, are shown in Box 4.

Box 4: Cost parameters

Internal cost parameters: <ul style="list-style-type: none">• Time• Hourly rate• Overhead
External cost parameters: <ul style="list-style-type: none">• Time• Hourly rate
Acquisitions

The cost parameters are described further in section 3.2.7.

2.2.6 The normally efficient business:

The fundamental concept – and unit of measurement – of a Standard Cost Model analysis is the *normally efficient business*. This is understood to mean businesses within the target group that handle their administrative tasks in a normal manner. In other words the businesses handle their administrative tasks neither better nor worse than may be reasonably expected. The intention with the Standard Cost Model is thus to identify general contexts that can be traced directly back to political regulation. The Standard Cost Model measurement does not, therefore, include businesses that, for various reasons, are either particularly efficient or inefficient.

The normally efficient business is found by conducting interviews in a number of typical businesses within the target group with possible external advisors that deal with outsourced tasks for the businesses, and possibly other experts. The objective of the interviews is to find out how much time the businesses use on the individual activity that is associated with a message. A check is made to see that there is consistency in the businesses' answers. If this is *not* the case, more business interviews are conducted until it is possible to ascertain a standardised time consumption associated with the administrative activities for the normally efficient business.

Identification of the normally efficient businesses is described more fully in section 3.2.2.

2.2.7 One-off costs and recurring costs:

In connection with carrying out a Standard Cost Model analysis distinction is made between the one-off costs and the recurring costs that follow from the regulation.

One-off costs are the costs that are only sustained once in connection with the businesses adapting to a new or amended legislation/regulation. This does not include the costs that a business may have in relation to complying with existing regulations for the first time, e.g. as a consequence of increased turnover or expansion with new areas of activity in the business. It is thus only upon the introduction of new or amended regulation that there can be a matter of one-off costs.

The one-off costs are *not* measured in connection with an ex-post measurement, but *only* in connection with an ex-ante measurement, so that the result can be included when the bill is presented to the Folketing [Danish parliament]. The results are included in the overall regulatory impact assessment of that draft proposal.

Box 5 below gives an example of a one-off cost.

Box 5: Example of a one-off cost

A few years ago rules were introduced stating that a business's VAT-registration number has to be added to all invoices. This made it necessary for the businesses to alter their invoicing systems so that the information would be automatically added in the future. There were thus some one-off costs associated with the change to the invoicing system.

The *recurring costs* are the administrative costs that the businesses constantly have in complying with the information obligations under the legislation. It may be a question of costs that arise at regular intervals, e.g. with VAT returns. It can also be a matter of costs that arise at irregular intervals for the individual business, e.g. if they are to apply for an export subsidy or submit a planning application. It can similarly be a matter of an administrative task that the individual business only experiences on one occasion, e.g. in connection with business registration where one applies for a VAT number or upon application for authorisation. Common to these two types of costs is that they arise in connection with a given situation for the business, hence the term situation-determined costs.

The crucial point is that the cost at the aggregated societal level is a recurring cost. Even if the individual business only experiences the administrative cost once or on rare occasions, the cost at the social level is a recurring cost because there are always businesses that, for example, apply for export subsidies or authorisation.

The recurring administrative costs are measured both in connection with an ex-ante measurement and an ex-post measurement.

2.2.8 Involved parties in a Standard Cost Model measurement:

A Standard Cost Model measurement is based on a high degree of involvement by a range of different people who, in different ways, have detailed knowledge of the rules to which the businesses are subjected and how compliance with these rules is effected in the businesses. In this way it is ensured that the measurement's quantitative and qualitative results are constantly assessed and validated. The following persons would be relevant to involve.

Practitioners in the businesses: The practitioners in the various businesses who, in the capacity of their daily work, have developed expert competence in relation to how their business deals with the various administrative duties. They are therefore able to contribute with crucial information regarding the extent of the administrative costs in the businesses. It is these persons who constitute the target group for the business interviews that are conducted in connection with phase 2.

Professional bodies/industrial organisations: In addition to involving the businesses it is important to involve their professional organisations in the work, as they also possess wide knowledge of how their member businesses deal with the administrative activities.

Professional experts: Professional experts with considerable insight into the sector in question that is the subject of a Standard Cost Model measurement would be relevant to involve. In the case of a measurement involving the Presentation of Accounts Act it was, for example, a case of auditors, while within the fisheries sector consultants have been involved who work closely on a day-to-day basis with the fishermen. These experts have as their ongoing task in the procedure, the critical assessment of the gathered data and helping towards, for example, ensuring that the defined cost parameters are as true and fair as possible.

Relevant government departments: The relevant government departments are an important resource in the Standard Cost Model measurement, as it is the ministries that possess the detailed knowledge of the structure of the rules. It is therefore important to involve the relevant government departments in the different phases of the measurement, e.g. in connection with validation of the legislation, the breakdown of it, the bringing to light of populations and frequencies, as well as in connection with the identification of relevant segmentation variables.

2.3 What does Standard Cost Model measure?

Under a Standard Cost Model measurement a value determination is made of the administrative costs that private Danish businesses have when complying with future or existing business-related Danish laws and executive orders. Business-related is understood to mean in this context, that the rule contains information obligations or messages that involve administrative costs for private businesses. Apart from the administrative consequences of the rules, measurement is also made of the effects of the initiatives that the authorities launch, in order to make the businesses' handling of the administrative tasks easier. Here it will typically be a matter of digital reporting solutions such as, e.g. ToldSkat's [Customs and Tax] digital VAT returns or the business portal Virk.dk.

2.3.1 International rules implemented in Danish legislation are measured

All Danish business-related laws and statutory instruments⁴ with **information obligations and messages** are included in the measurement. Also included here are EU rules as well as international conventions *to the extent* they are implemented in Danish legislation.

2.3.2 Only rules that cover private businesses are included in the measurement

A Standard Cost Model measurement measures the administrative costs relating to the regulation that affects active **private Danish businesses**. These are businesses that are registered in Denmark, e.g. via the business register (the Danish CVR registry). However, the business register contains businesses that, for different reasons, are not really active. These businesses are not measured in a Standard Cost Model measurement. Rules that only affect foreign businesses are not measured either, cf. the example in Box 6 below.

Box 6: Example of rule that will not be measured by the Standard Cost Model method

A foreign business selling its products via the Internet, does not need to be registered in Denmark in order to sell to Danish customers. The business is not subject to Danish requirements and it would therefore not be relevant to include it in the measurement.

A private business lies outside of what is designated **the public sector**. The public sector is understood to mean:

- units that produce services that are not sold on the free market, but made available to citizens and businesses either free of charge or against non-cost determined payment, and
- units that produce goods and services under market conditions, but that are wholly or predominantly owned or controlled by the state, county/region or local municipality.

Also falling outside the definition of a private business are those units that organise activities of a public usefulness or leisure nature. These units are also designated **civil units**. The characteristic for such units is that the objective of the activities that are carried out by the unit is not to earn money but, on the contrary, to ensure general education, social work, sporting activities and the like.

Against this background **private businesses are defined** as follows:

Private businesses are understood to mean units (physical persons, companies and other legal entities), that produce and/or supply goods and/or services under market conditions with the objective of generating profit for the owners.

⁴ Also included here are regulations that have status of executive orders, i.e. ordinances, technical regulations and notifications etc.

The above definition shall, in the first instance, be employed in connection with the clarification of whether a rule refers to private businesses or not.

The definition is, however, also important when one is to set a figure to how large the population is that will be affected by a given rule. A rule may thus influence the public sector, private businesses and civil units, which is why it is important to be able to separate out the number of public and civil units whereby, in the calculation of the overall administrative consequences, only the number of private businesses is included, cf. Box 7 below.

Box 7: Identification of the population of private Danish businesses

Payment of VAT covers units that fall within the public, private and civil sector. For example public businesses shall pay VAT on the same basis as private businesses. In the same way water works – that, by virtue of their pay-for-itself principle, are to be regarded as public utility units and therefore fall within the civil sector – shall pay VAT. In order to work out the overall administrative costs that commerce and industry is subject to when paying VAT, it is thus important that the population consists only of private Danish businesses. A simple selection of the number of VAT-registered businesses shall, therefore, be filtered, so that units that fall within the public or civil sector are not included.

2.3.3 All obligatory and certain types of voluntary, rules are measured

As far as the rules that are to be measured are concerned, it is important to distinguish between two types of rules. The *obligatory rules* that the businesses have to follow, and the *voluntary rules* that the businesses may choose to follow.

All the costs that the businesses incur in complying with information obligations in obligatory rules – i.e. rules, the compliance with which, means that the businesses will not come into conflict with the law – are measured in connection with a Standard Cost Model measurement.

It is different with the rules that the businesses may *choose* to observe. It is here necessary to distinguish between, on the one hand, rules that the businesses follow because it is *necessary* in relation to being on the market and, on the other hand, the rules that the businesses follow without it being regarded as necessary.

A voluntary rule is regarded as being *necessary* to follow when the majority of the businesses for which the rule is relevant, choose to observe the rule, e.g. requirements regarding applications for agricultural subsidies.

In the Standard Cost Model only voluntary rules are measured that are necessary in order to be able to operate on the market.

The opposite is true of the voluntary rules that cannot be said to have major significance for being on the market. These are not included in a Standard Cost Model measurement.

Examples of this type of rule can be certain types of statistical information that the businesses may themselves choose whether they wish to provide.

An example of a voluntary arrangement that will be included in the measurement, is shown in Box 8.

Box 8: Voluntary rule that will be included in a Standard Cost Model measurement

Pursuant to the Forest Act a subsidy may be given for product development with the objective of strengthening the competitiveness and reduce the market fluctuation sensitivity in forestry and the wood industry.

2.3.4 Full observance of the rules

When one is to measure the businesses' administrative costs by following a set of rules, it is important to make it clear beforehand whether one wishes to measure the costs that the rule incurs, if it is followed to the letter, or the actual costs that the businesses incur through only partially following the rules. There can be many different reasons why a rule is not followed to the letter by all the businesses that are covered by it. One possibility is that the legislation is misunderstood by the businesses, while another is that the businesses consciously fail to follow parts of the provisions of the set of rules.

The measurement of a rule by means of the Standard Cost Model method is based on a measurement of the costs that all the businesses concerned have in following the rules completely. It is thus not the actual number of businesses that observe a rule that is of interest, nor whether the individual business only follows the rules partially. The interesting factor is how many businesses are to follow the rule and what costs these businesses have in following those parts of the set of rules that they are required to.

2.3.5 Information obligations that are not included in the measurement

The overall rule for a Standard Cost Model measurement is, that all information requirements imposed upon private businesses are included in the measurement. There are, however, exceptions:

Laws or executive orders that are assessed as involving *less than 100 hours administrative work in all* – or a similar figure in external assistance or acquisitions – for all the businesses concerned, are not included in connection with the Standard Cost Model measurement. This demarcation is set up out of consideration of the fact that the costs involved in carrying out a measurement of the rule in question, will often not be able to compare favourably with the possible rule simplification potential that will be illustrated in connection with a measurement.

In some cases the businesses are subjected to information obligations where, however, they have their expenses in connection with the provision of the required information, covered. Such *cost-determined reimbursements* in connection with information obligations, are not covered by a Standard Cost Model measurement.

Box 9: Example of an information obligation with cost-determined reimbursement

The Foodstuffs Economics Institute collates accounts statistics for agriculture, nursery, ecological agriculture and fishery. The statistics are based on material that the advisers of the businesses in question employ when they work out the operating accounts for their clients. For this service, the institute pays the adviser an amount per set of accounts that, in 2004, amounted to DKK 2 770. The amount thus covers the costs that the adviser has had in having to produce the information and the information obligation is thus not covered by a Standard Cost Model measurement.

2.3.6 Measurement of digital solutions

For a growing number of information obligations digital solutions are made available to the businesses whereby they are able to report the required information, apply for subsidy or permits etc via the internet. A digital solution is understood to mean that the businesses are able to send in the required information via digital communication. A form that the businesses can download from a homepage, and which subsequently has to be printed out and submitted by letter or fax, is thus not a digital solution.

The effect of these digital solutions shall also be measured and, in the cases where digital solutions are made available to the businesses, it will be relevant to segment the businesses accordingly, cf. further details on this under step 5.

The actual measurement of a digital solution is carried out in the same way as the measurement of the corresponding manual solution, i.e. how much time do the businesses employ on the administrative activities that are involved in being able to comply with the information obligation. The effect of a digital initiative may thus be shown by comparing the time consumption of the manual solution with that of the digital solution.

In a number of cases a digital solution will form part of a wider digitalisation initiative. This applies, for example, to the solutions that are developed for Virk.dk. In such cases it should be registered that the digital solution in question is part of a larger digitalisation initiative.

3 Step-by-step implementation of a standard cost analysis

Implementation of a standard cost analysis for a given area of regulation requires a detailed knowledge of the standard cost method and the circumstances prevailing in the ministerial sphere to which the area of regulation belongs.

The work of implementing a standard cost analysis is undertaken by a firm of consultants with experts in the field at its disposal. The responsible ministry is involved in validation during the various steps. The responsible ministry also contributes expert knowledge of the area, including background data relating to the population of affected businesses, the proportion (i.e. rate) of businesses affected by a given requirement and the frequency with which they have to report. The ministry also has to classify the regulation according to whether it is of national or international origin.

The Danish Commerce and Companies Agency takes care of day-to-day cooperation with the firm of consultants and coordination with the responsible ministry. The Commerce and Companies Agency also has the task of ensuring that the standard cost method is applied consistently in analyses that cut across different areas of regulation.

It is important for the data collected to be entered in a database that is able to handle the relatively large amounts of complex data that form the basis for the results of a standard cost analysis. The data collected must therefore be stored in the manner indicated in the data structure with which the Commerce and Companies Agency provides the consultants. The consultants are under an obligation to collect, store and transfer data from the analyses to the Commerce and Companies Agency in accordance with this data structure.

The analysis itself can be divided into four main phases with a number of subsidiary steps. These are summarised in Box 10 below and then described step by step.

Box 10: The various phases of a standard cost analysis

Phase 0. Start-up

- The business-related regulation to be included in the analysis is identified before the preparatory analysis is started. In the case of large analyses, especially baseline measurements, but also certain ex-ante analyses and updates, start-up meetings attended by the responsible ministry, the Commerce and Companies Agency, the consultants and any other relevant parties are held.

Phase 1. Preparatory analysis

- Step 1: The text of the regulation is broken down into a number of information obligations. The information obligations are then broken down into messages and relevant administrative activities are identified. The responsible ministries then start to categorise the regulation into national and international elements.

- Step 2: Related regulation is identified and demarcation carried out.
- Step 3: The information obligations are classified according to type.
- Step 4: The relevant business segments are identified.
- Step 5: Identification of population, rate and frequency.
- Step 6: Clarification of which information obligations are to be assessed by means of business interviews and which will have time consumption estimated later in phase 3 (step 14) by means of expert assessment.
- Step 7: The relevant cost parameters are identified.
- Step 8: An interview guide is prepared for use in interviews.
- Step 9: An expert review of steps 1-8 is carried out.

Phase 2. Analysis of time consumption and costs in businesses

- Step 10: Typical businesses from the legislation's target group are selected for interview.
- Step 11: The businesses are interviewed.
- Step 12: Standardisation of time and resource consumption per activity per business segment.
- Step 13: An expert review of steps 10 and 12 is carried out.

Phase 3. Calculation and presentation

- Step 14: The validated data are extrapolated to a national level.
- Step 15: The results are presented in a report and the data set is entered in the overall database.

3.1 Phase 0 – Start-up

Before the analysis proper can be started, it is necessary to clarify what is to be analysed. This includes clarification of whether all the parts of the selected regulation fall within the scope of the standard cost analysis, cf. the definitions in section **2.3**. First of all it is clarified whether the regulation relates to business, then whether compliance is compulsory/necessary, whether it can be expected overall to entail more than 100 hours of administrative work for the businesses affected, and whether a cost-determined reimbursement is involved.

There will often be a number of borderline cases where it may be difficult to decide whether a rule falls within the scope of the standard cost analysis or not, cf. the three examples in Box 11 below. 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 with regard to which rules are included in the analysis.

Box 11: Examples of borderline cases in relation to the scope of standard cost analyses

Example 1: Treatment of complaints in the standard cost analysis

The right of businesses to complain about decisions is not an administrative burden and so is not measured in a standard cost analysis. It is not classified as an administrative burden because no information obligations are imposed on businesses in connection with complaints – the legislation just describes how to complain about a decision and what the formal requirements are, i.e. that the complaint has to be in writing and include supporting documentation, if any.

In some cases, however, it may be relevant to ask about a business's experience of the complaints system. This applies in particular to areas where it is common for businesses to complain. This may be an indication of the rules generally being difficult for businesses to understand. As part of the standard cost analysis it is, for example, possible to ask businesses about which parts of legislation they have particular trouble understanding. This would only involve qualitative reporting, with no extrapolation of burdens to a national level. This means that it would not be possible to produce a standardisation of how long a normally efficient business spends on a complaint. The time consumption for a complaint is too variable for this.

The results from the qualitative survey can be used to make the rules easier for businesses to understand, which may help to reduce the amount of time spent by businesses on familiarising themselves with the rules. The number of complaints can also be reduced, thereby relieving pressure on the public complaints process.

Example 2: Differentiation between the private sphere and the business sphere

When the self-employed apply for typical employee rights such as part pensions and early retirement certificates, it often results in relatively extensive administrative activities for them. Among other things, they have to document their employment and income situation. This form of administrative work is not included in the standard cost analysis because the self-employed are regarded in such situations as acting as employees and not as businesses.

Example 3: Borderline cases between private and civil units

Under the provisions of the Danish Water Rates Act registered businesses (public waterworks) have to charge rates for piped water. According to the Water Rates Act, waterworks have a duty to supply users with water at prices that include the necessary costs of maintenance,

pay, depreciation, etc. (cf. section 52 a of the Danish Water Rates (Consolidation) Act of 1999). This means that the waterworks are to be regarded as civil units whose purpose is not to make money, so rules that affect them should not be included in the analysis.

Example 4: Measuring the administrative costs of inspections

Businesses are subject to a range of different inspections. However, there are only administrative costs involved in relation to inspections to check whether businesses have fulfilled their obligations in relation to an information obligation. An inspection carried out to check the basis for an application submitted by a business is therefore covered in a SCM measurement. An inspection visit carried out to check whether the business is complying with working environment rules where no information obligation is involved is not included in the measurement. Such an inspection is only to check whether the business acts or conducts itself according to the manner described in the legislation.

Initial screening leaves the set of rules to be included in the analysis. It is important, however, to document which rules have been eliminated by screening and why, including how any borderline cases have been handled.

The results are submitted to the responsible ministry for validation.

In the case of a major standard cost analysis it may also be necessary to hold a start-up meeting with the responsible ministry. This provides an opportunity for important matters to be clarified, including what precisely is to be analysed, how the analysis is to be carried out, a timetable for delivery of results to the Commerce and Companies Agency and the responsible ministry by the consultants, when the responsible ministry is to contribute to the analysis, etc.

Completion of phase 0

The firm of consultants prepares a data set **of the business-related laws and executive orders** to be included in the analysis. More and more information will gradually be added to the data set as the subsequent steps of the analysis are completed. For a precise account of all the information that should be contained in this data set on completion of the analysis, please see the data structure prepared by the Commerce and Companies Agency.

The consultants also draw up a list of the business-related rules that are not to be included in the analysis, including the reasons for their omission.

The data set must be **submitted to the responsible ministry**. This is so that the ministry can validate that all the business-related laws and executive orders have been included in the analysis. The time allowed for this process is to be agreed in detail with the responsible ministry.

3.2 Phase 1 – Preparatory analysis

A large part of the work involved in carrying out a standard cost analysis is linked to the preparatory analysis, which precedes the actual collection of data. In short, the purpose of the preparatory analysis is to identify the business-related information obligations and resulting messages in the relevant legislation. Then the administrative activities to be performed by businesses in order to supply the required information have to be identified. The next step is to identify the relevant background variables. Finally, the business segments covered by the regulation are identified.

In the following this process is divided into nine steps. The process is continuous, however, with considerations and choices in the various steps having mutual relevance. It is therefore essential to think of the process as a whole.

It is also important to validate the information produced by the preliminary analysis on an ongoing basis. This means that:

- the Commerce and Companies Agency has to be involved on an ongoing basis with a view to making methodical and technical choices
- the responsible ministry has to be involved on an ongoing basis with a view to ensuring technical quality
- relevant experts are involved with a view to evaluating and validating the classifications and specifications generated in steps 1-8.

3.2.1 Step 1: Breaking down the rule into a number of information obligations and messages

Procedure

Based on the list of business-related laws and executive orders produced in phase 0, the consultants break the rules down into a number of **information obligations**. This work is based on detailed perusal of the actual text of the individual rule, its explanatory notes, relevant circulars and any guidelines relating to the regulated area. The information obligations (one or more) that give rise to administration on the part of businesses are identified in the course of this perusal.

Box 12 gives examples of a number of different information obligations.

Box 12: Examples of information obligations

- **Returns and reports:** This relates to returning and reporting information, e.g. tax deducted from income at source.
- **Applications for permission for or exemption from...:** This relates to all types of application

for permission for or exemption from various activities, e.g. application for a licence to sell spirits.

- **Applications for authorisation:** This relates to applications for authorisation to carry out certain activities, e.g. authorisation as a sewer contractor.
- **Notification of activities:** This relates to businesses having to notify the authorities of specific activities, e.g. notification of the transportation of dangerous cargo.
- **Entry in a register:** This relates to businesses having to be entered in a register or on a list, e.g. entry in the business register.
- **Carrying out inspections of...:** This relates to the business itself carrying out inspections of machinery and equipment that can represent a risk to health or the environment, or monitoring the conditions for employees. Inspections are normally carried out by certified organisations, e.g. drawing up a workplace assessment.
- **Applications for subsidies or grants for...:** This means the business applying for a subsidy or the like, e.g. a subsidy for job training.
- **Keeping commercial emergency plans and programmes updated, etc....:** This relates to the business keeping those documents required by the authorities up to date. It would include manuals and emergency plans, for example.
- **Cooperating with audits/inspections of...:** This relates to informing and assisting inspectors who carry out inspections of and auditing work for a business, or who visit a business in connection with enforcement of a regulation.
- **Statutory labelling for the sake of third parties:** This means, among other things, labelling products or installations with consumer information, e.g. energy labelling of domestic appliances.
- **Providing statutory information for third parties:** This relates to providing third parties with information (as distinct from labelling), e.g. a financial prospectus to accompany investment products.
- **Framing complaints and appeals:** This relates to submitting complaints about and (possibly later) appealing against a decision made by the authorities. This information obligation should only be analysed if it is characteristic of a normally efficient business to complain in the area in question.

Box 13 below outlines a concrete example of how a law, in this case the Danish Value Added Tax Act, can contain information obligations.

Box 13: Material information obligations in the Value Added Tax Act

An examination of the Value Added Tax Act shows that the primary information obligations for businesses fall into three areas. Firstly there is registration of the business for VAT with the authorities as required by part 12 of the Act. Secondly and thirdly, part 15 of the Act defines a number of obligations in relation to VAT returns and settlement.

Part 12. Registration

Part 12 of the Value Added Tax Act requires businesses to register with the authorities, cf. section 47. This represents the information obligation.

“Taxable persons who conduct business involving the supply of goods and services that are not exempt under section 13 must apply to register their business...”

Part 15. Settlement of tax

Part 15 defines the detailed provisions that businesses must comply with when settling VAT. Taken together, these provisions represent the information obligation. The general provision is set out in section 57, which states that:

“After the end of each tax period registered businesses must inform the government customs and tax authorities of the amount of their output and input tax in the period and the value of goods and services that are exempt from tax under sections 14-21 or section 34...”

Once a law or executive order has been broken down into one or more information obligations, the information obligations are broken down into **messages**. This is done by identifying all the messages in the regulation that go to make up the individual information obligation. There are many different messages – some will be very specific with regard to the concrete information obligation, while others will recur in different information obligations in various laws across the ministries. Box 14 illustrates a number of messages that occur in connection with various information obligations in laws across the ministries.

Box 14: Examples of typical messages

An information obligation may lay down requirements with regard to the following information, for example:

- Identity of business – name and business registry number, etc.
- Business's turnover/statement of turnover

- Statement of business's equity

When breaking down information obligations into messages, the consultants must carry out a **systematic classification** of the individual messages. The aim is to make it more practicable to develop a standard cost catalogue based on a standardisation of the cost of compliance with various types of message.

The messages have to be classified in two main types of category – “messages – process” and “messages – content”. Both have a number of subordinate categories. Efforts have been made to describe the categories in such a way that they are mutually exclusive. As with the other master table lists in the standard cost database, it is possible to expand the subordinate categories in the event of a message not fitting in any of them. Should this happen, the category must be agreed with the Commerce and Companies Agency.

Messages – process:

There are currently three subordinate categories that describe the process of complying with the message in question in the business. The idea is that the nature of the message and therefore the process of complying with it affect how long it takes to comply with the message.

1. Manual process

This subcategory covers ad hoc tasks. In other words, tasks that are performed so rarely that the information has to be constructed each time and therefore produced “manually”. This can include both one-off and situation-related tasks. One-off tasks might, for example, be an application for a licence, while a situation-related task could be an application for planning permission. Compliance with messages in this category will usually be characterised by high time consumption per transaction.

2. Partially automated process

This subcategory covers tasks where up to half the information has already been generated or can be generated relatively easily. This means that some of the information needed to comply with the message can be generated using either IT tools or systemised administrative processes in the business. Compliance with the message will usually be characterised by both lower time consumption and higher costs of obtaining information than in the above category.

3. Predominantly automated process

This subcategory covers tasks where more than half the information has already been generated or can be generated relatively easily. This means that most of the information needed to comply with the message can be generated using either IT tools or systemised administrative processes in the business. Compliance will usually be characterised by both lower time consumption and higher costs of obtaining information than in the two above categories.

Figure 3. Decision tree for classifying messages - process

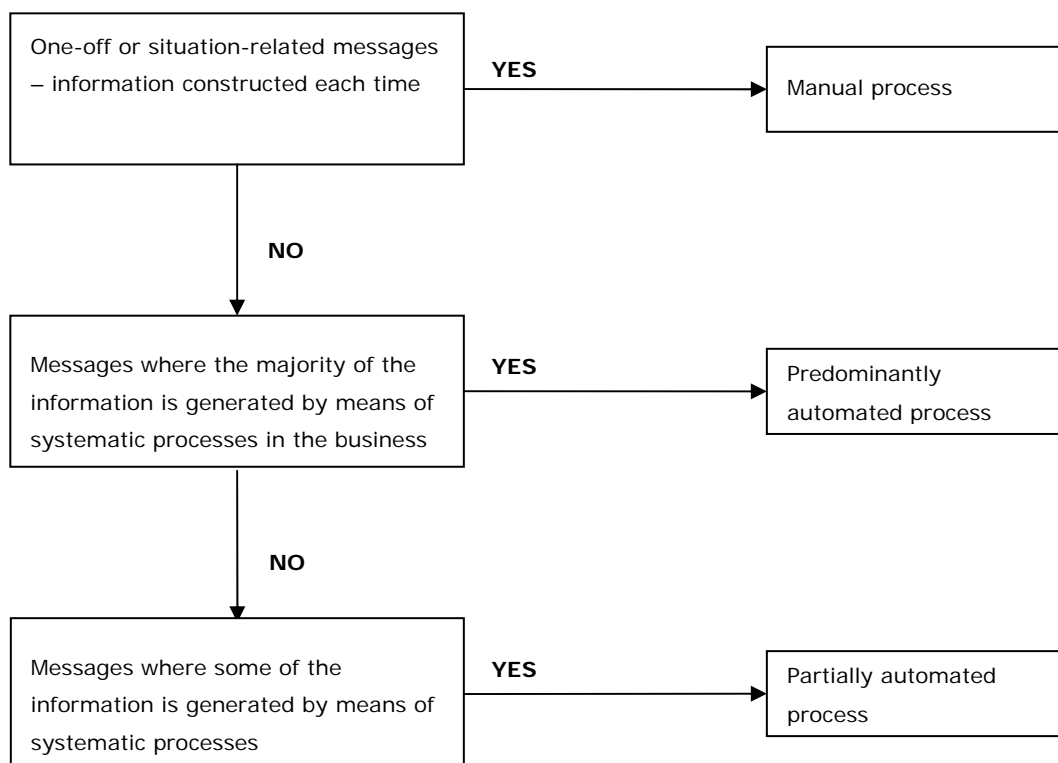


Figure 3 shows using a decision tree how messages can be classified based on the process of complying with the message in the business. Messages are assigned to the three categories by assessing the proportion of information needed to comply with the message in question that can be generated by means of a manual or an automated process respectively. Assignment to a category is not therefore determined by the time consumption involved in obtaining information manually or automatically.

Messages – content:

There are currently seven subordinate categories that describe the content of the message in question:

1. Business data

This category covers various forms of fixed data about the business. This includes the name of the business, its address, its telephone number and its business registry number. This is general information that has to be included in the majority of reports. It also includes more specific information arising from the individual reporting obligation: e.g. data about ownership, area, rent, etc.

Overall, business data can be characterised as fixed information about the business that a report always has to contain owing to a given regulation requirement. This category differs

from the other subordinate categories in that the information is fixed in the short term. A business does not, for example, change its name and address very often.

2. Production data

This category covers all messages relating to actual production of goods/services in the business. This includes data on volumes produced, discharges or emissions from the business's production and the like.

3. Personnel data

This category covers all forms of data about the personnel in the business. This includes information on the individual employee: e.g. pay, terms of employment, maternity leave, courses, sick pay. It also includes more general information/obligations not directly linked to the individual employee: e.g. Workplace Assessment.

4. Purchasing

This subcategory covers messages about input into the business. This includes information on purchasing (whether gainful or not) of goods/services for the business, stock movements and the like. This category covers both domestic and foreign purchases.

5. Sales

This subcategory covers messages about output from the business. This includes information on sales (whether gainful or not) of goods/services by the business, customers and the like. This category covers both domestic and foreign sales.

6. Product data

This subcategory covers messages about the product itself, including miscellaneous consumer information. The requirement will often relate to information to be attached to the product itself, e.g. weight, list of contents, statutory warnings, but can also involve information on the right to complain.

7. Accounting data

This subcategory covers data from the accounting systems to be used for a report. Accounting data consist of processed data from the six above categories.

Figure 4: Decision tree for classifying messages - contents

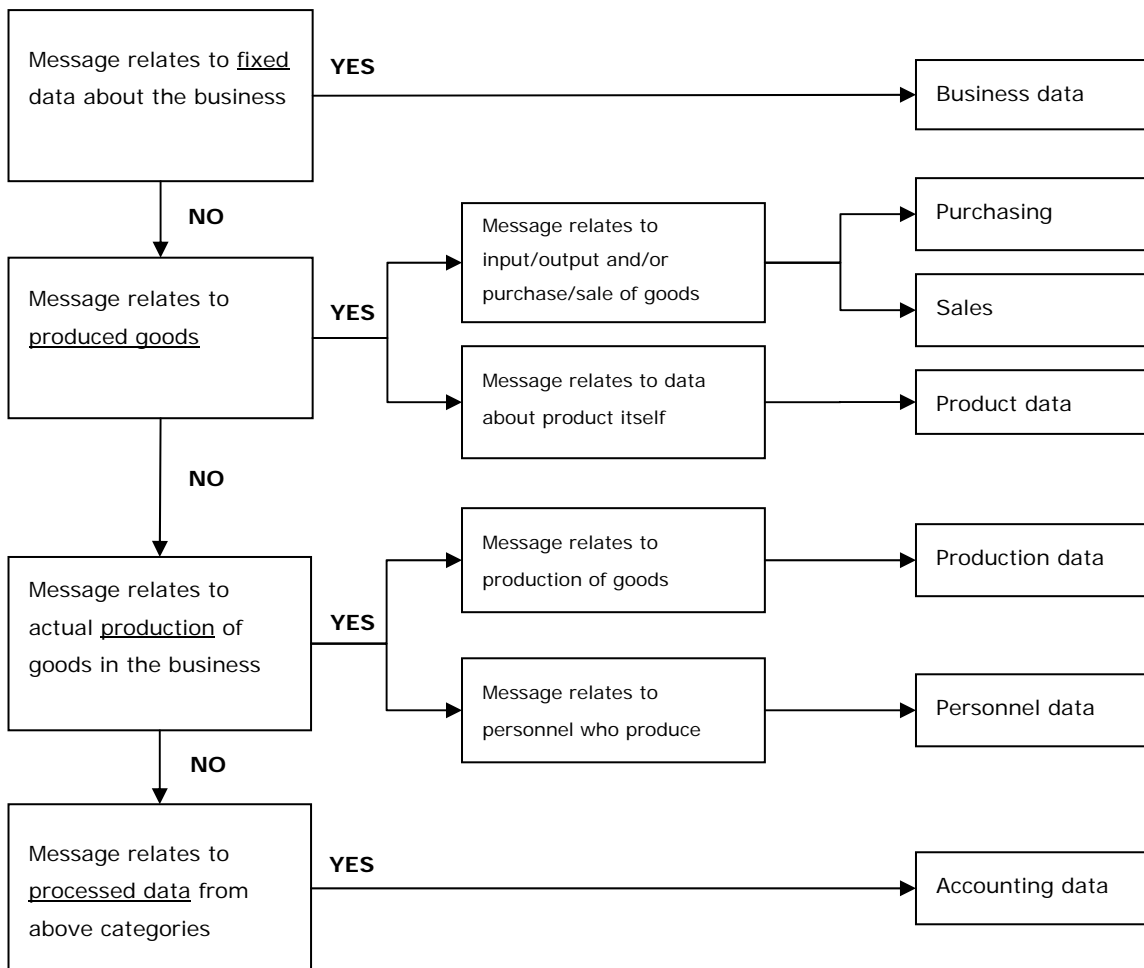


Figure 4 uses a decision tree to show how messages can be classified based on their content.

A specific message within a segment can only have one classification – e.g. manual process/business data. A message that applies to several segments within a law/executive order, on the other hand, can have various classifications. In other words, what is classified as manual process/business data in one segment might be classified as partially automated process/business data in another. As the example illustrates, the subordinate classification does not vary in these cases.

The actual classification in categories can be done in the way that best fits in with the working process of the firms of consultants. One possible approach could be to classify “Messages – content” by breaking down the legislation, while classifying “Messages – process” by standardising data.

Identification of administrative activities

Once the messages have been pinpointed, the next task is to identify the **administrative activities** that businesses have to go through in order to comply with the individual message. These will be finally validated during interviews with businesses at step 11. The identification of administrative activities is based on 16 standard administrative activities, cf. Box 15 below. It is important to make an independent decision on which administrative activities are linked to the individual message.

As regards the first administrative activity, the resources used by businesses to *familiarise themselves with the information obligation*, it is linked to the actual information obligation, while the rest of the administrative activities are linked to the individual message.

Box 15: Standard administrative activities

1. **Familiarisation with the information obligation.** The resource consumption of businesses in connection with familiarising themselves with the rules for a given information obligation.
2. **Information retrieval.** Retrieving the relevant figures and information needed to comply with a given information obligation.
3. **Assessment.** Assessing which figures and information are necessary for the public authorities to accept the report.
4. **Calculation.** Performing the relevant calculations needed for the public authorities to accept the report.
5. **Presentation of figures.** Presenting the calculated figures in tables or the like.

6. **Checking.** Checking the calculated figures, e.g. by reconciliation with other data.
7. **Correction.** If the business's own checks reveal errors in the calculations, corrections are made afterwards.
8. **Description.** Preparation of description, e.g. the directors' report in the Danish Financial Statements Act.
9. **Settlement/payment.** Payment of tax, charges or the like.
10. **Internal meetings.** Meeting held internally between the various personnel groups involved in complying with the information obligation.
11. **External meetings.** Meetings held in cases where compliance with the information obligation requires meetings with an auditor, lawyer or the like.
12. **Inspection by public authorities.** Businesses must assist external inspectors when they carry out their inspection at the business.
13. **Correction result from inspection by public authorities.** If the external inspection identifies faults/defects, corrections are made afterwards.
14. **Training, updating on statutory requirements.** Relevant employees must be kept up to date with rules that change frequently (at least once a year).
15. **Copying, distribution, filing, etc.** In some cases the report is copied, distributed and/or filed in order to comply with the information obligation. It may also be necessary to store the information obligation with a view to subsequent production in connection with an inspection.
16. **Reporting/submitting information.** In cases where compliance with an information obligation requires the submission of information on the business, the information must be sent to the relevant authority.

It is not unlikely that further standard activities may be required. Proposals for new standard activities must be very well founded, however, and require the approval of the Commerce and Companies Agency.

The identification of the relevant administrative activities is intended to help give an idea of the process that businesses have to go through in connection with each rule. In the interview situation itself it is also easier for businesses to relate to specific administrative activities when they have to specify the resources they use. This results in more valid measurements of the administrative costs, as businesses do not have to look at a whole body of laws to the same extent, but just relate to quite specific administrative activities.

Once the consultants have broken down all the business-related laws and executive orders into information obligations and messages, the breakdown must be validated by the responsible ministry.

ABC classification – classification of regulation according to origin

When the ministries receive the breakdown of legislative material for validation, they can **classify the regulation according to origin**, which is known as ABC classification, cf. below.

As mentioned in section **2.3.1**, an analysis is made of all Danish laws and executive orders that have consequences for business. This means implicitly that the analysis will also cover international rules that are implemented in Danish legislation.

In order to provide an overview of where the administrative costs of businesses originate from, messages have to be classified in three main categories – depending on their origin:

- A. Messages that are exclusively and completely a consequence of EU rules and other international obligations. The international rules describe which information businesses have to produce.
- B. Messages that are a consequence of EU rules and other international obligations. The purpose will be formulated in the international rules, while implementation (including formulation of the specific messages) will be left to the member states. The international rules do not describe which information businesses have to produce.
- C. Messages that are exclusively a consequence of rules formulated at national level.

The messages are classified in categories A, B and C by the responsible ministries, who have the knowledge needed to be able to carry out the classification.

The classification process distinguishes between three different categories in the case of messages in **type-A regulation**:

- **Category A-EU-Directive**
- **Category A-EU-Regulation**
- **Category A-International**

For all three type-A categories the message and its implementation must be *laid down* by the EU (A-EU-Directive or A-EU-Regulation) or in other international rules (A-International). This means that the rules stipulate which information must be provided by businesses and how this should be done. The international rules describe which information businesses have to produce. In this situation a ministry has limited or no influence⁵ on the administrative burdens in the short term.

⁵ Limited influence should be understood in relation to the immediate sphere of influence. An international context does offer opportunities for reducing the administrative burdens, of course, but it has to be done in consultation with the international community.

The classification process also distinguishes between three different categories in the case of messages in **type-B regulation**:

- **Category B-EU-Directive**
- **Category B-EU-Regulation**
- **Category B-International**

For all three type-B categories, the message must be *a consequence of* EU rules (B-EU-Directive or B-EU-Regulation) or other international obligations (B-International). In this case the international obligation will only formulate a purpose, which the states have to implement in their own regulation. The international rules do not describe which information businesses have to produce. It is therefore up to the states themselves to formulate any messages to be provided by businesses.

Type-C regulation only covers one type of regulation, i.e. messages that are exclusively a consequence of national laws and executive orders. Both the information obligation and its implementation are laid down at national level.

Classification in categories A, B and C forms the basis for investigating whether and to what extent administrative burdens fall within the Danish sphere of influence. Category A does not in principle fall within Denmark's immediate sphere of influence, while the administrative burdens in category C fall exclusively within the Danish sphere of influence. Category B comes between these two categories, with implementation falling more or less within the Danish sphere of influence.

The classification procedure is described in detail in the "Guide to classifying the administrative burdens on businesses according to national or international origin".

Classification serves two purposes. First of all it provides a balanced picture of the composition of a ministry's rules and the potential for rule simplification in the short term. A ministry with a lot of national legislation (i.e. mainly type-C regulation) will find it easier to reduce the administrative costs of businesses in the short term than a ministry that is mainly responsible for regulation formulated under the auspices of the EU, for example (i.e. type-A regulation).

Classification also serves another, longer-term purpose. If substantial, inexpedient costs are identified in connection with an EU-Directive where the information obligations are laid down in the directive, the analysis can serve as important argument on the part of Denmark for the directive to be reconsidered by the EU.

Completion of step 1

The firm of consultants **breaks down each individual business-related law and executive order** into information obligations and messages plus associated administrative activities for each message. It must be possible to identify which business-related laws provide a statutory basis for each executive order. A section and subsection reference must also be given for the messages so that they can be found quickly in the rule in question.

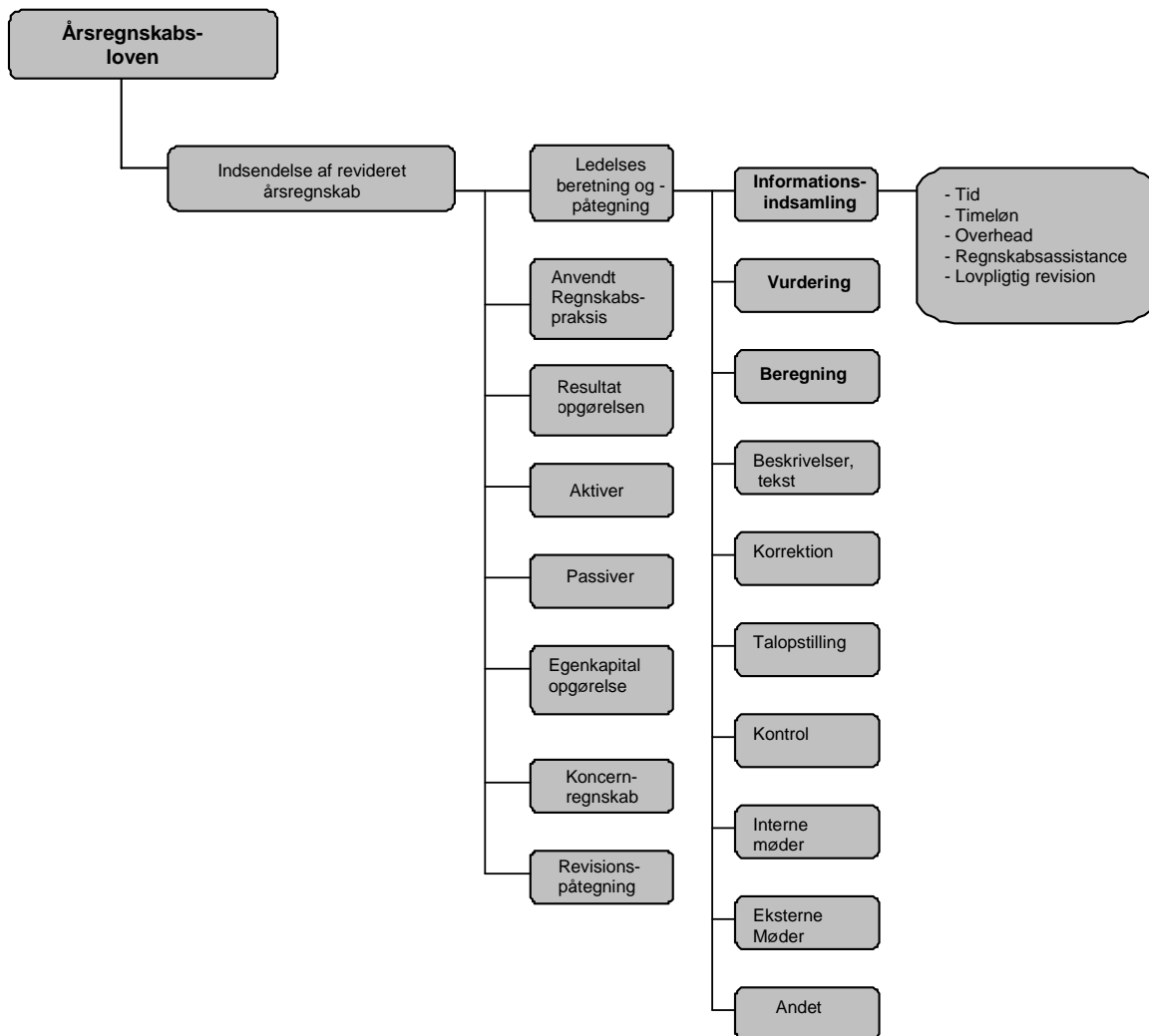
The data set containing the breakdown of legislation into information obligations, messages and administrative activities must be **submitted to the responsible ministry**. This is so that the ministry can validate that all the relevant information obligations and messages have been identified. The deadline for completion of this process is to be agreed in detail with the responsible ministry. In connection with step 1 it will also be important to obtain the assistance of the ministry with identifying any digital reporting solutions that may be linked to the information obligations.

It is on the basis of this data set that **the responsible ministry classifies the regulation in categories A, B and C**. The responsible ministry is given plenty of time to carry out this classification, which does not have to be ready until the consultants start work on reporting results, i.e. phase 3.

When the deadline expires, the data set is sent to the Commerce and Companies Agency for final approval.

Box 16: Example of how to break down the Danish Financial Statements Act

The Financial Statements Act contains only one information obligation – the duty to submit audited annual accounts. The figure below shows the process of breaking down that information obligation into messages and the subsequent identification of administrative activities. Please note that the messages listed have been grouped into a number of categories for the sake of clarity. In the actual analysis the information obligation is divided into more than 50 messages. It is important to identify all the information requirements with their administrative activities separately.



The Financial Statements Act means that the businesses covered by it have to submit audited annual accounts. The messages include information on assets/liabilities and the auditors' report.

This requires the individual businesses to carry out a number of administrative activities that are linked to a number of costs in the form of time and money, both within the business and in relation to external advisors, etc.

3.2.2 Step 2: Identification and demarcation with regard to related regulation

Procedure

It is important in any standard cost analysis to clarify whether the administrative costs of an information obligation or message are attributable to one or more rules. If the administrative costs are attributable to two or more rules, it is also vital to divide the costs between the various rules. This problem is illustrated in the two examples in **Box 17**.

Box 17: Examples of demarcation with regard to related regulation

Example 1:

The Financial Statements Act contains a requirement to the effect that annual accounts have to contain information on the company's turnover. This information must also be included in businesses' tax statements, a duty that follows from the fiscal requirements for accounts laid down in the Danish Tax Act. The same cost should not be measured twice, so it is reasonable to divide the costs of having to produce this information between the two laws.

Example 2:

The Danish Bookkeeping Act regulates the duty of commercial enterprises to record their financial transactions. The Act does not, however, require the information recorded to be submitted or the like, it just has to be possible to document that the transactions have been recorded. The recording of transactions does not therefore serve a direct purpose in relation to the Bookkeeping Act, but the information recorded is needed in all sorts of other contexts. The financial transactions recorded are, for example, used in processed form to prepare annual accounts, VAT returns, tax accounts, etc. Although these laws do not explicitly state that businesses must record their financial transactions, compliance with such rules is dependent on compliance with the requirements of the Bookkeeping Act. It is therefore reasonable to divide the costs arising from the Bookkeeping Act between it and the laws that make direct use of the information generated by recording financial transactions.

As the two examples show, the problem of dividing costs that involve several rules is relevant in two contexts.

To begin with, it is relevant in cases where two different rules require businesses to provide the same information. If demarcation with regard to other regulation is not done correctly, there is a risk in this situation of measuring the cost to businesses of producing the same information twice. In cases where two regulations require the same information, the cost of producing the information must *as a matter of principle* be divided equally between the two rules.

The problem is also relevant in cases where the requirements of one law or executive order provide a basis for compliance with messages or information obligations in other legislation. It is important to be aware that the first rule does not have to contain information obligations or

messages, but can simply be about how businesses have to handle the work. The actual duty to make the information available to authorities or third parties will be formulated in another law. It is therefore vital that the link between the various rules can be identified.

Completion of step 2

The consultants produce a clear demarcation and definition of the area of regulation where administrative costs are to be measured. Related regulation is identified and costs are divided so that identical information obligations are not counted more than once. The consultants integrate the information on related regulation in the data set for the business-related laws and executive orders from step 1. As part of the status report that has to be produced at the conclusion of phase 1, the consultants also have to describe which laws and executive orders connect with other regulation, including whether the information obligations and messages identified are identical to information obligations and messages in other rules and/or to what extent there are interfaces between regulation. Demarcation in relation to legislation that falls within other ministerial spheres must be coordinated with the relevant ministries. Final demarcation must be approved by the Commerce and Companies Agency.

3.2.3 Step 3: Classification of information obligations into different types

Procedure

In order to obtain the best possible overview of the origin of costs, information obligations have to be classified according to whether they constitute a duty that businesses must comply with – compulsory information obligations – or schemes that businesses can opt to make use of – voluntary information obligations.

The classification of identified information obligations according to whether they are compulsory or voluntary is carried out by the firms of consultants in collaboration with the ministry. As mentioned in section 2.3.3, all compulsory information obligations have to be analysed, whereas it is necessary to differentiate between voluntary information obligations. If a voluntary information obligation is complied with by the majority of businesses to which the information obligation applies, compliance with the information obligation is regarded as necessary for the business to be able to operate on the market. This type of voluntary information obligation is analysed.

Once it has been clarified which information obligations are to be included in the analysis on an equal footing with compulsory information obligations, all these information obligations must be classified according to whether they are:

- Information obligations relating to subsidies
- Information obligations relating to certificates

- Information obligations relating to regulation requirements which in this context cover information obligations that are neither of the above.

It can not be ruled out that further categories of information obligation may be required. Proposals for new categories must be very well founded, however, and require the approval of the Commerce and Companies Agency.

This classification is used, among other things, to analyse which types of information obligation characterise the legislation of the individual ministries.

Completion of step 3

The consultants have to integrate the information on which of the above three categories each information obligation belongs to in the data set of business-related laws and executive orders.

The classification is approved by the Commerce and Companies Agency and the responsible ministry.

3.2.4 Step 4: Identification of relevant business segments

Procedure

In step 4 the consultants have to classify businesses in relevant segments. In other words, businesses have to be segmented according to the criteria that affect the scope of resources used to comply with information obligations and messages.

The relevance of criteria depends to a large extent on the rule involved. If the rule affects all types of business, it may be relevant to segment according to industry or size if these criteria are judged to be significant variables. A lot of legislation is industry specific, however, in which case the segment is specified in advance in that it will consist of the industry in question. With some legislation a business's turnover or number of employees, for example, determines whether the business is covered or not and which of the rules it has to comply with.

If a digital solution has been made available for reporting an information obligation, it will always be relevant to segment according to whether the business reports digitally or manually.

Similarly, it will be relevant to distinguish between businesses that have opted to outsource the task, i.e. use external assistance to perform the task to a large extent, and businesses that do the work themselves.

If segmenting is done by industry, the industry codes employed by Statistics Denmark, among others, should be used. Statistics Denmark will also be able to say how many businesses there are in each industry.

If the size of business (number of employees) is not judged to be a significant variable, segmenting should not be done by size. Even if segmenting is not done according to the size of businesses, the consultants should make sure as far as possible when selecting businesses for interviews that businesses of different sizes are included in the analysis.

It may be “tempting” to segment on the basis of a number of different variables. Any attempt to capture the complexity in full will, however, soon result in the method breaking down because it is case based. Because complexity increases as more and more factors are included in the analysis, such an attempt would very quickly lead to measurements having to be carried out in far too many business segments. It is therefore essential to achieve a sensible balance between the degree of segmentation, optimisation of benefits and resource consumption in the project. It is necessary to focus on those factors that are judged to be most important when it comes to identifying differences in the administrative costs of businesses. The number of segments will vary from time to time, and will depend on a concrete assessment in relation to the specific information obligation. The decisions made on what to include and what not to include in the measurement must be well founded and should also be documented so that it will be possible to reproduce the results of the analysis at a later stage.

Completion of step 4

Segmentation is approved by the Commerce and Companies Agency and the information is integrated in the data set of business-related laws and executive orders from step 1. The consultants must also decide in consultation with the Commerce and Companies Agency whether there are special segments that ought to be analysed in more detail.

The status report that has to be produced at the conclusion of phase 1 should also include a description of how segmentation was done.

Box 18: Example of business segmentation

In the VAT Act it is possible to identify four essentially different types of business with regard to how VAT has to be calculated and reported. They are:

- Ordinary businesses liable for VAT
- Businesses with foreign trade
- Mixed businesses
- Property letting

It is also relevant to segment for digital reporting and outsourcing. This segmenting is illustrated in the following table.

	Ordinary businesses liable for VAT		Businesses with foreign trade		Mixed businesses		Property letting	
	Out-sourced	Not out-sourced	Out-sourced	Not out-sourced	Out-sourced	Not out-sourced	Out-sourced	Not out-sourced
Manual VAT reporting								
Digital VAT reporting								

3.2.5 Step 5: Obtaining background information – population, rate and frequency.

In step 5 figures have to be obtained for population, rate and frequency.

Each law or executive order has a **population**. The population indicates how many businesses are affected by the law or executive order in question.

As a law or executive order can affect several different business segments – as identified in step 4 – populations have to be identified for each segment.

The businesses in each segment comply with a number of information obligations. A population has to be specified for each information obligation. In this case the population indicates the number of businesses in the segment that comply with the specified information obligation. If an information obligation can be reported both manually and digitally, the population for each of the two options also has to be specified.

Each information obligation contains a number of messages. These do not have a population specification, but a **rate**. The rate indicates the proportion of businesses complying with the information obligation that comply with the given message.

A population is generally the number of businesses affected by a given piece of legislation. It is important to be aware, however, that a population can also be an event: e.g. the number of annual applications or reports.

Because the figures from the population specifications are used at step 14 to extrapolate the standardised resource consumption per business when complying with a rule, it is important for the population to be as accurate as possible.

There are also a number of **precautions** to be taken when identifying populations. It is, for example, important to ensure that only private businesses are included in the population. Many information obligations affect public, private and civil units, so it is necessary to eliminate those parts of the population that do not constitute private businesses.

Specifically when calculating **the population for subsidy schemes**, it is possible to differentiate between two types. Firstly, there those schemes where the subsidy is granted if a number of objective criteria are satisfied. This applies to hectare subsidies, for example. In this case the population is only those businesses that receive the subsidy, while those businesses that do not satisfy the criteria and so do not receive the subsidy have to be left out of the population. Secondly, there are schemes where the subsidy is granted on the basis of an assessment of all the applications received. The applicant cannot therefore be sure of receiving the subsidy in advance. An example of this would be innovation grant schemes, where businesses submit project proposals, after which a selection committee decides which proposals will receive a grant. In this case the population is the number of project proposals submitted.

Frequency indicates how many times a year a message/information obligation has to be complied with. In some cases the frequency can be derived directly from the legislation. In certain instances there may be an information obligation/message that all businesses have to report, but to a varying extent. This applies to a number of statistics such as Intrastat and commodity sales statistics, for example. It is also important to be aware that some information obligations are not required every year – this applies to a range of statistical information, for example. The frequency for such obligations will therefore be 0.5 if the statistic has to be reported every other year and 0.33 if it has to be reported every three years, etc.

Box 19: Examples of specifying population and frequency

Example 1:

If a business has to report a set number of times annually (e.g. twice), the frequency must be specified as 2 and the number of businesses that submit this type of report (e.g. 4000 businesses) must be specified as 4000 under population.

Example 2:

If 70 businesses are covered by an information obligation that requires them to report every other year, the Population is: 70 and the Frequency is: 0.5.

Example 3:

If there is no regular reporting for the individual business (e.g. once in the life of the business for authorisation, for example), the frequency must be specified as 1, while the number of annual reports of this type (e.g. 70 annual authorisations of this type) must be specified under population as 70.

When identifying population, rate and frequency, it is important to remember the discussion of 100% compliance with the rules that appears in section 2.3.4.

There are several different **sources** that can be used to determine population, rate and frequency:

- The ministries have information on how many inspections have been carried out, how many applications have been received, how many businesses have been registered for a certain circumstance, etc.
- Information can be taken from statistical material. It is, for example, only possible to calculate the administrative costs of maternity leave on the basis of statistics regarding the number of instances of leave in the private sector.
- In some cases it may be necessary to carry out a survey in order to identify the number of business affected by a certain law, or the ratio of businesses that employ a certain option in the law. If it is a matter of certain businesses dealing with an information obligation themselves while others outsource it, it may also be necessary to carry out a survey in order to establish what proportion of businesses outsource, and what proportion of businesses handle the task themselves.
- If it is not possible to obtain the necessary information, the solution may be to make a qualified estimate of the information in question. It may, for example, be very difficult to find out how many businesses have a duty to inform their customers in connection with an agreement (i.e. an information obligation in relation to third parties), particularly because this will depend on how many customers the businesses have in total. It may therefore be necessary to make an estimate.

Whatever the method used, it is import to document the source of the information so that the information can be reproduced in the same way at a later date. Specifically in situations where an estimate has been made, it is essential to document the criteria for the estimate.

Completion of step 5

The consultants obtain as much information as possible about populations, rates and frequencies, and incorporate it in the data set. This information is validated by the responsible ministry, which also identifies any information that is missing. The Commerce and Companies Agency is involved with a view to pinpointing the information that neither the consultants nor the responsible ministry could identify.

The process of identifying population, rate and frequency can take a long time. Therefore, it does not have to be completed during phase 1, since the information will not actually be used until extrapolation is carried out in phase 3. It is essential, however, to identify which information obligations affect the most businesses so that this information can be included in considerations regarding what the business interviews should focus on, cf. step 6 regarding clarification of what should be calculated by means of business interviews and expert assessment respectively.

3.2.6 Step 6: Business interviews versus expert assessment

Procedure

The basic assumption in a standard cost analysis is that everything has to be evaluated⁶. This also applies to information obligations that might only be relevant for a small number of businesses or that only involve very minor administrative activities for the individual businesses.

Not all information obligations must necessarily be evaluated by means of business interviews, however. Information obligations that only cover a very small number of businesses and minimal administrative costs can, for example, be quantified using other methods. This includes expert assessment, in which specialists with considerable knowledge of the field in question are involved in quantification of the administrative costs for a normally efficient business. An alternative would be to make use of the extensive data gathered in the business interviews conducted in phase 2. Based on this data, it will often be possible to quantify less burdensome information obligations by comparing them with similar information obligations analysed by means of business interviews. This is done in step 14 of phase 3.

It is difficult to produce unambiguous criteria for when a less burdensome information obligation can be evaluated using either expert assessment or existing data. A concrete appraisal has to be made in each case, but it is important to emphasize that it must be made clear which information obligations and messages are being selected for later evaluation. The data structure stipulates that the consultants must make a note in the database to show which information obligations have been analysed not by means of interviews, but on the basis of similar existing data/expert assessment.

⁶ Subject to the exceptions in section 2.3.6, however.

Completion of step 6

The consultants incorporate the information on which information obligations will be measured by business interview and which will be evaluated later in the data set of business-related laws and executive orders from step 1. The criteria on which the division between interviews and expert assessment is based must be made clear in order to facilitate validation by the responsible ministry. These criteria must also be included in the status report to be prepared at the conclusion of phase 1. The material is sent to the Commerce and Companies Agency and the responsible ministry for approval.

Box 20: An example of an information obligation that is selected for later evaluation

The VAT Act contains special rules for a very small number of businesses. For some businesses there is a requirement for secondary meters to be installed to document the resale of electricity in caravans and pleasure craft.

These special rules will be evaluated by means of expert assessment.

3.2.7 Step 7: Identification of cost parameters

Procedure

The task in step 7 is to identify the relevant cost parameters of businesses for the work involved in complying with individual messages. This applies to both cost parameters within the business and cost parameters relating to work done by external advisers, etc. The work involved in this step mainly consists of making sure that the relevant cost parameters of businesses are identified before the interviews are conducted in step 11. It is these interviews that finally establish which employee groups perform a given administrative activity.

The analysis uses 2005 prices. The cost parameters used are set out in table 1 below.

Table 1: Cost parameters for administrative activities

Cost areas	Cost parameters in the calculation
Internal	Number of minutes spent on administrative activity
	Mean hourly pay for various personnel groups that perform administrative activities
	Overhead

External	Number of minutes spent on administrative activity Mean hourly pay for various personnel groups that perform administrative activities
Acquisitions	Expenditure on DKK on necessary acquisitions to comply with specific information obligations and/or messages

Internal personnel groups

The internal personnel groups are the employee groups within the businesses that perform the administrative activities. Internal hourly pay is based on personnel groups with their hourly pay from Statistics Denmark's pay index for the private sector (LON02). Hourly pay is specified in 2005 prices⁷ and represents mean rates for the entire country irrespective of gender. The personnel groups with their hourly pay can be seen in appendix 2.

Hourly pay comes from the concept of earnings in relation to hours worked used by Statistics Denmark. The concept covers all of an employee's income from employment, including pension, the Danish Labour Market Supplementary Pension, fringe benefits and payments for public holidays, Sundays and non-business days. Illness, leave, etc., are deducted.

The consultants are under an obligation to use the personnel groups with their hourly pay from appendix 2 when identifying the personnel groups who carry out the administrative activities. If the consultants are unable to find a personnel group in appendix 2 that corresponds to the personnel group that performs the administrative activity/activities they are charting, they must suggest a new personnel category with hourly pay and overhead. This personnel category must be approved by the Commerce and Companies Agency.

Overhead

An overhead of 25% must be used unless specific circumstances suggest otherwise. Appendix 2 gives the 25% overhead for each personnel category in whole DKK. The overhead for the individual employee represents costs in addition to direct pay costs. The overhead covers costs in connection with fixed administration costs, such as expenses for premises (rent or building depreciation), telephone, heating, electricity, IT equipment, etc. The overhead also includes absence owing to illness, since the hourly pay used to calculate administrative costs should, as

⁷ In Statistics Denmark's pay index the latest hourly pay is specified in 2002 prices. The pay has therefore been projected to 2005 prices on the basis of the mean pay increase percentage for the period 2002-2004 (see Statistics Denmark's pay index, ILON2). The pay from 2002 has been increased by a total of 11.3% in order to represent 2005 prices.

far as possible, be the hourly pay per effective hour. Appendix 3 explains the components on which the overhead is based in greater detail.

As there is no central statistical source that can throw light on overheads for all industries and sizes of business, it is difficult to specify an overhead percentage that is both generally applicable and accurate. In cases where the consultants suggest that the guide overhead of 25% is nowhere near the overhead costs that they encounter for the personnel groups performing the administrative activities, they must estimate the overhead percentage themselves. The consultants must state why the overhead percentage differs from the guide overhead percentage and the percentage must be approved by the Commerce and Companies Agency.

External personnel groups

In some cases businesses outsource administrative activities to employee groups outside the business. These personnel groups are called external personnel groups.

Appendix 2 specifies the external personnel groups with their hourly pay as they exist at present. The consultants must use the personnel groups with their hourly pay from appendix 2 when identifying the personnel groups who carry out the administrative activities. If the consultants are unable to find an external personnel group in appendix 2 that corresponds to the personnel group that performs the administrative activity they are charting, they must suggest a new personnel category with hourly pay. This personnel category must be approved by the Commerce and Companies Agency.

An overhead does not have to be added to the hourly rate for external personnel groups.

Acquisitions

Acquisitions are defined as acquisitions that are necessary in order to comply with an information obligation or message and are used solely for that purpose. The costs of such an acquisition are included as a cost parameter in administrative burdens alongside internal and external pay costs.

Examples of an acquisition might be the postage for letters sent in order to comply with an information obligation or message, e.g. the costs involved in sending in annual accounts. Another example might be the cost of purchasing and installing a meter to enable the business to take a reading for subsequent reporting. A third example might be the cost of purchasing external administrative services that cannot be converted directly into hours. Examples of this include costs connected with external payroll administration for which a fixed annual charge is payable. This cost cannot be broken down into a specific number of hours spent by the external supplier.

The costs are calculated per year. Where an acquisition has a service life of several years – e.g. a meter – a fixed annual cost equivalent to the total cost divided by expected service life

is specified for the acquisition. After a certain number of years it is assumed that a new meter will be purchased – if this is the type of acquisition involved – on the same terms.

As the examples illustrate, the costs must be incurred solely to enable the business to comply with a specific information obligation/message. A business may well need an Internet connection in order to comply with a digital reporting duty, but because the connection is also used for many other purposes, the costs of the connection are not included directly in the measurement. They are, however, included indirectly through the overhead.

It will not usually be necessary to obtain information on acquisition costs from businesses. As far as postage is concerned, the relevant postal rate is used plus DKK 1 per letter to cover paper, printing and insertion costs. Any indirect production costs such as relevant machinery, computer equipment, etc., are already included in the overhead and so do not count. As far as the example of the meters is concerned, it will be possible to obtain information on the costs of purchasing and installing a “normal” meter. Then the same cost will be applied to all businesses.

Completion of step 7

The administrative activities are split into a number of cost parameters that can be evaluated. The Commerce and Companies Agency must be involved in this work if it gives rise to specific problems.

3.2.8 Step 8: Preparation of interview guide

Procedure

The purpose of an interview guide is to ensure uniform, accurate data collection which ensures that all the information to be used for calculations in the database is gathered with the greatest possible precision.

It is also important for the interview guide to be structured in such a way that the interviewees can answer the questions as precisely as possible, allowing the interview to be conducted efficiently.

In addition to the collection of quantitative data at activity level, it is important that the interview sheds light on qualitative aspects as well so that such information can be included in subsequent reporting. It is, for example, important to gather knowledge concerning:

- Proposals for rule simplification
- Irritation burdens
- Best practice in businesses
- Whether businesses use the information in other contexts (cf. demarcation in relation to other legislation)
- Whether businesses just prepare information for the government or whether they also use it themselves (cf. the terms administrative burdens and administrative costs)

It is important for the interview guide to give businesses the opportunity to make suggestions with regard to rule simplification and digitalisation initiatives within the information obligations in question. It is also important to note how businesses perceive given regulation, particularly if an information obligation is regarded as especially irritating/onerous.

An important element of the interviews also consists in acquiring knowledge of efficient ways of handling the administrative work, i.e. best practice. Such knowledge can subsequently be used to advise other businesses on what they can do themselves to reduce the costs of the administrative work.

In connection with the interviews it is also important to ascertain whether the information to be provided by businesses is only used to comply with the information obligation in question or whether it is also used in other contexts. This would include reporting to other ministries, counties and local authorities. The information obtained in this way will have to be coordinated with the demarcation of legislation carried out in step 2.

In addition, it is important for the consultants to clarify in the course of the interview whether the business would continue to produce the information in full or in part even if the information obligation were to be discontinued. The basic assumption is that the business complies with

the information obligation in question and related messages purely because of a statutory requirement. In this case it is possible to say that the burden percentage is 100, which corresponds to the administrative costs being equal to the administrative burdens. If there is anything to suggest that the business would continue to comply with all or part of the information obligation even if there were no statutory requirement, i.e. that the burden percentage is not 100, this should be stated. In this case it must be stated for each message (or information obligation) whether the business would continue to produce the information in question or not. On this basis it is possible to calculate how large a percentage of an information obligation is an administrative burden. Most businesses would, for example, keep books even if there were no government requirement for them to do so. Bookkeeping helps give businesses an adequate information basis concerning their own financial activities. It is probable, however, that businesses would not keep such detailed records of their financial transactions with several different accounts if there were no specific statutory requirements in this respect.

The standard cost method measures the administrative costs of regulation. They are not always equal to the administrative burdens, because there will be certain information that businesses would still produce to satisfy their own requirements even if there were no government requirement for them to do so. This problem is illustrated in figure Figure 2 on page 9.

Completion of step 8

The firm of consultants prepares an interview guide, which is approved by the Commerce and Companies Agency.

3.2.9 Step 9: Carrying out an expert review of steps 1-8

Procedure

In this step the results of the preliminary analysis have to be submitted to the reference group. The reference group is made up of trade organisations that have knowledge of and are in contact with the area being charted. There should also be participants from the responsible ministry and the Commerce and Companies Agency. The reference group is put together by the Commerce and Companies Agency and the responsible ministry.

It is the task of the various experts to use their expertise and detailed knowledge to assure the quality of the process from step 1 to step 8 and offer criticism and fine-tuning wherever necessary. It is particularly important that major methodical and technical choices for and against should be submitted to the reference group. It is then important for all the parties to reach agreement so that the results from steps 1-8 can be approved so as to provide the basis for proceeding to phase 2.

Completion of step 9

Based on the material that is produced continuously in connection with phase 1, the consultants have to draw up a status report for the work in phase 1 that describes the implementation of steps 1-8, including how the work of identifying business-related laws and executive orders was done, which information obligations and messages are important, what demarcation has been done in relation to other legislative areas and integrated processes, which administrative activities are relevant and, not least, the segmentation of businesses, etc. The detailed guidelines for the status report are described in the Commerce and Companies Agency's online process guide at <http://www.eogs.dk/sw6371.asp> (user name: byrdebarometer – password: amvabmåling). The status report is sent to the Commerce and Companies Agency and the responsible ministry for approval.

A status memorandum is prepared on the basis of the status report and sent to the reference group. The guidelines for this can also be found in the above process guide. The consultants then have to present the results from phase 1 at a meeting with the reference group. The Commerce and Companies Agency is responsible for calling and organising the meeting. The reference group then has the opportunity to comment on the status memorandum and procedure for phase 1. The consultants then decide in consultation with the Commerce and Companies Agency and the responsible ministry whether the group's comments give rise to changes in the choice of method, demarcation, etc. Once any such changes have been implemented, phase 1 is complete.

3.3 Phase 2 – Analysis of time consumption and costs in businesses

Based on the preparatory analysis in phase 1, the task in phase 2 is to gather empirical data from interviews with a selection of typical businesses affected by a given piece of legislation. The overall task is thus to fill in all the “cells” in the data structure for the individual segments with standardised figures for each information obligation, message, administrative activities and cost parameters. This is done on the basis of between three and five in-depth qualitative interviews with typical businesses in each of the identified segments.

3.3.1 Step 10: Selection of typical businesses for interview

Procedure

Businesses can be selected for interview in several ways. In the case of an information obligation where the target group is easy to define and where a large proportion of the target group is judged in advance to be affected, one option is to take a random sample and start to contact the businesses to arrange an interview. When it comes to screening the businesses for interview, the businesses can be asked a few questions with a view to gaining an indication as to whether it is typical of the target group. It is also possible to use this initial contact as an actual survey, with the businesses being asked about outsourcing, IT use or other matters that are judged significant with regard to the business's resource consumption in complying with an information obligation.

In some cases it will be difficult to find sufficient affected businesses using the above method. Here it may be advantageous to make use of the often very concrete information held by the responsible ministry on the individual businesses covered by the given information obligation. In such situations it will be possible for the responsible ministry, working in cooperation with the Commerce and Companies Agency, to write to some of the affected businesses and “warn” them that they are going to be phoned by a firm of consultants with a view to arranging an interview.

The selection of businesses should result in it being possible to implement qualitative interviews with between three and five typical businesses in each business segment. This will provide an insight into the resource consumption of a normally efficient business with regard to the information obligation in question.

While one business can logically only cover one segment with regard to a given information obligation, the same business can be interviewed about other information obligations within the legislative area by which it is affected.

Consideration should also be given to whether external experts can be involved in connection with assessing the administrative costs for a normally efficient business. With an external expert it is possible to cover several business segments at once with regard to a given information obligation. An accountant, for example, will often be able to assess the administrative costs for a number of business segments. The assessments made by external experts must never be used in isolation, however.

Completion of step 10

The consultants draw up a plan regarding how to identify the businesses to be interviewed and how many typical businesses should be interviewed. Both parts of the plan must be approved by the Commerce and Companies Agency. The procedure must also be described in the status report to be produced at the conclusion of phase 2. It is normally the firm of consultants that contacts the businesses. In some cases it will be more appropriate, however, for the responsible ministry or the Commerce and Companies Agency to make initial contact with the businesses. **Box 21** illustrates an example in which the responsible ministry and the Commerce and Companies Agency make initial contact with the businesses.

Box 21: Example in which the responsible ministry and the Commerce and Companies Agency make initial contact with the businesses

It is judged in advance to be difficult to identify the businesses that report various types of selective excise duty because this is not industry-dependent. Therefore the Ministry of Taxation and the Commerce and Companies Agency, working in collaboration, contact some of the businesses that the Ministry of Taxation knows to have paid the selective excise duty in question. The firm of consultants can then contact them to arrange an interview.

3.3.2 Step 11: Conducting business interviews

Procedure

Using qualitative interviews with businesses that are affected by the legislation, it is possible to identify which of the 16 standard administrative activities a business has to carry out in order to comply with a message and how much time is spent on each activity. This makes it possible to evaluate the individual messages that make up an information obligation. In some cases it will not be possible for the business to say how long it spends on each activity. In such cases it may be necessary to ask how much time is spent on complying with the actual message and how that time is divided between the administrative activities that are carried out in order to comply.

The interviews will also make it possible to validate the information obtained with regard to time, wages, outsourcing, etc.

Implementing the interviews with businesses is a task that requires experienced interviewers with fundamental knowledge of the method and area of legislation. The interviewers must use the interview guide, cf. step 8, and the interview itself should take the form of a qualified dialogue between the business and the interviewer.

There are basically three types of methods for interviewing businesses:

- **Personal interviews** with businesses are the preferred method for identifying the administrative costs of regulation. The interviews typically last 1-2 hours for each business, but this can vary depending on the complexity of the area of legislation in question. In the case of complex areas of legislation it may also be an advantage to have two interviewers.

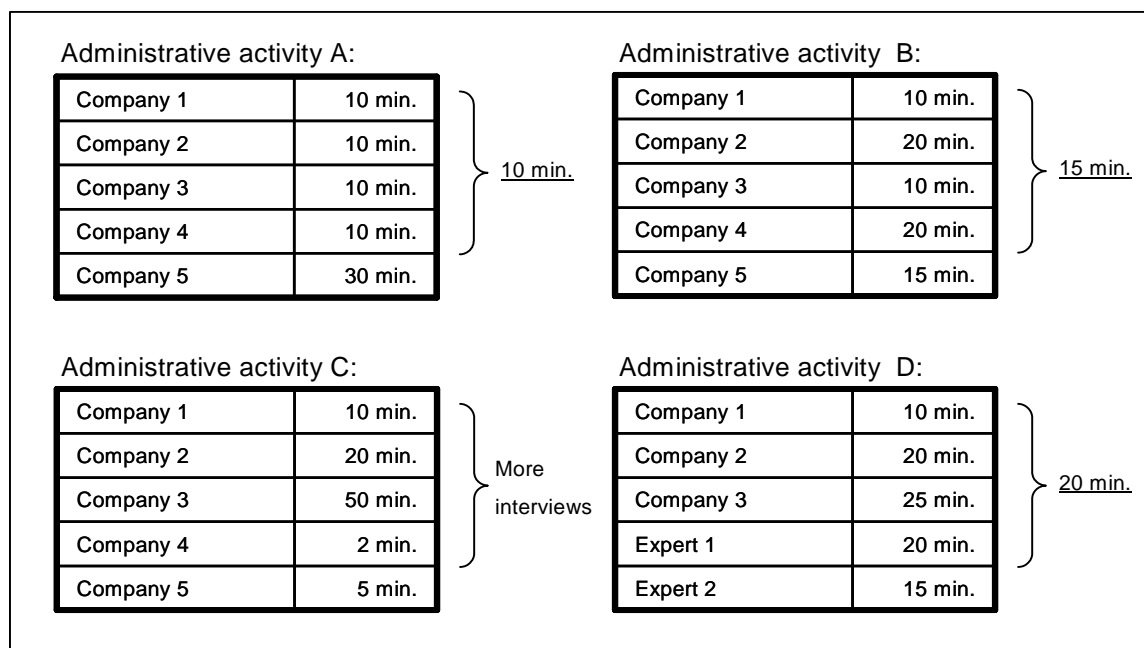
- **Telephone interviews** with businesses can be used in cases where only the costs of isolated information obligations have to be identified and where the interview may be expected to last less than half an hour.
- **Focus group interviews** with a small number of businesses and relevant experts may be an option in the case of highly complex legislation. The discussions of the focus group can, for example, help to analyse complex information obligations correctly, including the administrative activities that a normally efficient business has to carry out and how long they take.

Specifically with regard to personal interviews and telephone interviews, it is important for the interviewers to be sure both during and after the interview that the business interviewed can still be described as typical as far as resource consumption is concerned. The business does not necessarily have to be typical in all areas, but if it is not normally efficient in a number of areas, the data for it should not be included in the data material. It is difficult to set out clear criteria for when a business is not normally efficient, but resource consumption that is substantially different from that specified by other businesses *without* there being a good explanation for the discrepancy must be regarded as not meeting the criteria for a normally efficient business. If a business is excluded from the data material, it must be replaced with a new business, which will have to be interviewed.

The consultants are asked to let the Commerce and Companies Agency know if an interview with a business cannot be used because the business cannot be regarded as normally efficient.

Figure 5 shows how the time consumption for a normally efficient business is calculated, and illustrates whether a business can be described as normally efficient or not.

Figure 5: Calculation of time consumption for a normally efficient business



As far as activity A is concerned, business 5 is clearly different from the others and therefore should not be counted as a normally efficient business. There is no need to carry out further interviews, however. In the case of activity B, the consultants have assessed what the level for a normally efficient business should be. Further interviews will have to be conducted with regard to activity C because the answers given by the businesses vary too much for it to be possible to assess the level for a normally efficient business. In this case consideration should also be given to whether the businesses selected are not typical or whether it is simply because specific circumstances mean that the businesses have different resource consumption. In this case the segmentation carried out as part of the preparatory analysis should be reconsidered and, if necessary, further segmentation carried out, resulting in more business interviews. In the case of activity D an expert assessment should be made of what the level is for a normally efficient business.

Completion of step 11

The consultants must describe the procedure for implementing the interviews for use in the status report to be produced at the conclusion of phase 2. The Commerce and Companies Agency must be involved in the clarification of problems arising in connection with implementation of the interviews.

3.3.3 Step 12: Standardisation of time and resource consumption per activity per business segment.

Procedure

When all the interviews have been carried out, the results have to be summarised for the individual business segments. Based on the interview material, an assessment must be made of how long it takes a normally efficient business to carry out the various administrative activities required to comply with a message for a given information obligation. Then the business's internal costs and costs for external assistance are calculated.

In other words, based on the information provided by the businesses in the interviews, the consultants have to make a qualitative assessment of how long businesses spend on each individual administrative activity connected with compliance with a message. This should make it possible to insert a standardised figure in the data template. It is important in this context to make a critical assessment of the individual results and decide which results are most reliable. It goes without saying that this is a time-consuming process in which it is important to document the individual considerations on which each choice is based.

The approach does not entail calculating a mean average uncritically on the basis of the data collected. Instead a standardised figure has to be set on the basis of the data collected and any expert assessments, see also Figure 5.

During the process the consultants are under an obligation to prepare burden forecasts to give the Commerce and Companies Agency a clear idea of how the burden figures are developing.

Completion of step 12

All the cells in the data structure are filled in with relevant standardised entries for time consumption both internally and externally. A burden forecast is produced in this connection and sent to the Commerce and Companies Agency.

3.3.4 Step 13: Carrying out an expert review of steps 10 and 12

Procedure

The process and purpose for this step are the same as for step 9. That is, to make sure that the affected parties and experts assure the quality of the collected data so that phase 2 can be completed and phase 3 commenced.

Completion of step 13

The consultants draw up a status report summarising the most important results from the phase, including an account of the choices and estimates made. The guidelines for the status report are contained in the Commerce and Companies Agency's process guide. The status report is approved by the Commerce and Companies Agency, which involves the responsible ministry.

A status memorandum for the reference group is prepared on the basis of the status report. The main purpose of this status memorandum is to involve the reference group in validation of the standardised data from step 12. The guidelines for the status memorandum for the

reference group are also contained in the Commerce and Companies Agency's process guide. The results from this phase are presented to the reference group at a meeting if judged necessary. Alternatively, the status memorandum can simply be sent to the reference group for its information. As with phase 1, the reference group has the opportunity to comment on the implementation of phase 2. If this gives rise to changes of method, etc., such changes must be implemented by the consultants. Phase 2 can now be concluded.

3.4 Phase 3 – Calculation and presentation

3.4.1 Step 14: Scaling the validated data up to national level

Procedure

Once the standardised data from phase 2 have been approved by the Commerce and Companies Agency and the reference group, the validated data material has to be scaled up to national level for each individual segment in the analysis. This is generally done by multiplying the standardised time and resource consumption (time x pay costs (inc. overhead)) for a normally efficient business in a segment by the population of the segment. The results are then combined. The figures produced include:

- the total costs for each segment of complying with each information obligation
- the total costs to businesses of complying with the information obligation
- the total costs of complying with the law or executive order in question

Completion of step 14

The consultants make the relevant calculations, which then form the basis for writing the report in step 15.

3.4.2 Step 15: Reporting

Procedure

In addition to giving the administrative costs for the area of regulation analysed, the report communicating the results from a standard cost analysis must also explain how the analysis was carried out, what problems were encountered in the course of the analysis and how these problems were handled. The detailed requirements for reporting an ex-ante and an ex-post standard cost analysis respectively are contained in the standard reporting templates produced by the Commerce and Companies Agency for the purpose.

It is important for the report to be in a complete, presentable form. The report has to be published, so the Commerce and Companies Agency attaches importance to it being possible

for the report to be understood by a broad public who will not necessarily know anything about the methodology involved. The report must therefore be easy to read and communicate the results correctly. It is a good idea to illustrate the report with graphs and figures that both illustrate the problems of using the standard cost method for the given regulation base and the results produced by the analysis. An English abstract of the report also has to be written.

Completion of step 15

The consultants write a report in which all the results are presented and which gives a detailed account of the method used and considerations involved.

The report is approved by the Commerce and Companies Agency and the responsible ministry before being sent to the reference group for consideration. It is also possible to organise a meeting with the reference group at which the main results of the analysis can be presented and discussed. The reference group has an opportunity to comment on the report. If this gives rise to any changes to the report, they must be seen to by the consultants. The report is then ready.

Once the report has been finally approved, the consultants deliver a data set to the Commerce and Companies Agency, including all the figures at national level, based on the data structure supplied by the Commerce and Companies Agency. The Commerce and Companies Agency approves the data set. Phase 3 is now complete.

Appendix 1: Business registry number – ownership forms

For each form of ownership it is defined whether it is a matter of a private form of business or not. All forms of business marked in bold are **non-private businesses**.

10	One-man business
20	Estate of deceased person
30	Partnership
40	Limited partnership
50	Joint-ownership shipping company
60	Joint stock company
70	Limited partnership company/Partner company
80	Limited liability company
90	Fund
100	Commercial fund
110	Association
130	Cooperative (society)
140	Cooperative (society) with limited liability
150	Association or company with limited liability
160	European Financial Company Group
170	Branch of foreign joint stock company, limited partnership company
180	Branch of foreign limited liability company or company
190	Branch of foreign business with limited liability
200	Branch of other foreign form of business
210	Other foreign business
220	Fixed place of business of European Financial Company Group
230	State administrative unit
240	County council
250	Municipality
260	Parish council
270	Unit in process of establishment in Danish Commerce and Companies Agency
280	Other forms of business
990	Unreported forms of business

The codes relate to the code for the form of ownership that is employed in the business register. It is, however, important to make yet a further distinction, in that certain types of

publicly owned or controlled companies are to be found under the heading of Joint Stock Company or Partnership. This type of public business shall not be included in the measurement. A list of these public businesses will be drawn up and made available. The list will be based on their business registry numbers.

The business register contains businesses that, for various reasons, are not really active. These businesses are not measured in a Standard Cost Model measurement. Rules that only affect foreign businesses, are not measured either.

All municipal and county-owned companies are, incidentally, shown in the following report: The report to the Folketing's [Danish Parliament] Commercial Committee regarding the municipalities and county councils' participation in commercially active companies etc. (<http://www.eogs.dk/sw658.asp>), while the state joint stock companies are shown by the State joint stock companies – inspection, liability and management (http://www.fm.dk/db/filarkiv/8379/Samlet_publication.pdf)

Appendix 2: Personnel groups with associated hourly rates

Internal personnel groups:

As stated in section 3.2.7 the consultants shall select the internal personnel groups with associated hourly rates quoted in 2005 prices from the list below which is based on the Danish Central Bureau of Statistics' wage index for the private sector, LON02.

The personnel group is marked in bold. The Danish Central Bureau of Statistics does not operate with statistical wage statements for personnel groups, but merely regarding work functions associated with the specific wage-earner groups. The work function and wage earner group are stated in parenthesis after the personnel group. Note that only two wage-earner groups are involved: Managers and wage earners without management responsibility.

The indication of work function and wage-earner group in parenthesis after the personnel group is only intended to serve as an aid for the consultants, as it is difficult to assess purely on the basis of the personnel group name, if one of the following personnel groups covers the personnel group that the consultants have to identify in connection with a Standard Cost Model measurement.

Overhead costs of 25% are stated in DKK. Moreover the overall wage cost is stated, including overheads. In the cases where the consultants estimate that the suggested overhead percentage of 25% is significantly different from the overhead costs that the consultants may encounter for the personnel groups that carry out the administrative activities, the consultants shall themselves estimate an overhead percentage.

<u>Personnel group</u>	<u>2005-prices</u>	<u>Overhead (25%)</u>	<u>Incl. overhead</u>
Administrative manager (Management regarding. administration and financing - managers)	384	96	480
Administrative staff (Administration work – wage-earner without management responsibility)	246	62	308
Lawyer (Lawyer's work – wage-earner without management responsibility)	345	86	431
Lawyer - partner (Lawyer's work – management)	432	108	540
Lawyer's secretary (Lawyer's secretary work – wage-earner without management responsibility)	221	55	276
Book-keeper (Book-keeping work - wage-earner without management responsibility)	245	61	306
Shop assistant (Sales work in shop etc. – wage-earner without management responsibility)	165	41	206
Shop manager	233	58	291

(Sales work in shop etc. - manager)			
Driver			
(Taxi and goods vehicle driver – wage-earner without management responsibility)	178	45	223
Director			
(Most senior, across the board management – manager)	430	108	538
Property broker			
(Buying and selling of property – manager)	299	75	374
Craftsman			
(Craft-related work - wage-earner without management responsibility)	215	54	264
Craftsman - master			
(Craft-related work – manager)	260	65	325
Buyer			
(Purchasing work - wage-earner without management responsibility)	248	62	310
Engineer			
(Architecture and engineering work etc – wage-earner without management responsibility)	322	81	403
Lawyer			
(Legal work - wage-earner without management responsibility)	344	86	430
Cashier			
(Cashier work - wage-earner without management responsibility)	202	50	252
Warehouseman			
(Transport and warehouse work (manual) – wage-earner without management responsibility)	189	47	236
Agricultural worker			
(Work in agriculture, nursery etc. – wage-earner without management responsibility)	181	45	226
Agricultural technician			
(Technical work, biology, agriculture etc. - wage-earner without management responsibility)	242	61	303
Land inspector			
(Land inspector work - wage-earner without management responsibility)	281	70	351
Manager of business with at least 10 employees			
(Management of businesses with at least 10 employees – manager)	392	98	490
Manager of business with less than 10 employees			
(Management of business with less than 10 employees – manager)	263	66	329
Machinist			
(Process and machinist work – wage-earner without management responsibility)	198	50	248
Environmental technician			
(Technical work, biological subjects - wage-earner without management responsibility)	231	58	289
Porter/caretaker			
(Inspection – caretaker and porter work – wage-earner without management responsibility)	188	47	235
Accounts manager (Auditing and	386	97	483

accounting work – manager)			
Accounts staff member (Calculation work regarding accounts, auditing - wage-earner without management responsibility)	212	53	265
Auditor (Auditing and accounting work – manager)	386	97	483
Sales and service worker (Sales and service work - wage-earner without management responsibility)	175	44	219
Secretary (Administrative secretarial work etc. - wage-earner without management responsibility)	245	61	306
Technician (Technical work, non-biological subjects - wage-earner without management responsibility)	266	67	333
Finance manager (Businesses' organisation and finances – manager)	397	99	496
Finance staff member (Businesses' finances and organisation - wage-earner without management responsibility)	316	79	395

External personnel groups:

As stated in section 3.1.6 the consultants shall select the internal personnel groups with associated hourly rates stated in 2005 prices, from the list below.

Audit assistant: DKK 400/hour

Auditor: DKK 800/hour

Chartered accountant: DKK 1200/hour

Lawyer: DKK 1500/hour

Overheads shall not be included in addition to the external hourly rates

Appendix 3: Overhead percentage

Accounted in the following is how the overhead percentage of 25 per cent is calculated. The calculation was made in connection with the pilot measurement of the Presentation of Accounts Act.⁸ Unless specific conditions militate otherwise, an overhead percentage of 25 per cent shall be employed in all measurements.

In addition to the direct staff wage costs there is a range of indirect costs associated with the undertaking of administrative activities in the businesses. These are included in the overhead. The various types of indirect costs are outlined below:

Human Resource

- Personal training and development

Information technology

- Telephone / Communication facilities
- IT - infrastructure
- Hardware, Software

Personal indirect costs

- Entertainment
- Office articles
- Subscriptions
- Memberships

General indirect costs

- Depreciation
- Rent

⁸ Danish Commerce and Companies Agency: "Standard Cost Model – Baseline measurement of the Presentation of Accounts Act (January 2004).

- Insurance
- Light, electricity and water
- Repairs

There does not exist one immediate data source that can be employed for the calculation of overheads at the departmental level in the businesses. It is therefore necessary to compare several different sources for the calculation of the individual elements of the overhead.

Information technology

The outlay for investment and maintenance of IT is assessed, against the background of the interviews with the businesses (in the measurement of the Presentation of Accounts Act), as being the largest indirect cost that can be specifically attributed to the staff in the accounts department. In addition to the direct investments in hardware and software, costs of internal IT support, technical service from external suppliers, training of staff etc., shall be attributed to the IT costs.

It is difficult to assess the extent of the IT costs per employee in the businesses. The investments in IT can be determined by the businesses against the background of their internal accounts, but the other costs will require a number of calculations to establish. In calculating the overhead percentage for use with the measurement of the Presentation of Accounts Act, the decision was made therefore to employ the Gartner Group's TCO analyses (Total Cost of Ownership), which are general calculations of what it costs to operate an IT workplace for a year. Described below is what is covered by a TCO analysis.

Establishment costs

- Acquisition of software and necessary hardware components
- Installation, setting up and rolling out of software
- Training of IT personnel

Operating costs

- Internal ongoing support and maintenance costs
- Updating
- End-user support

External costs

- Agreements regarding facility management, technical service, hotline etc. with external suppliers.
- Training costs for super users and general users
- Costs of integration between sub-systems

Hidden costs

- Costs in connection with lost productivity as a result of broken down systems
- Lower end-user efficiency and performance
- Extra costs that follow from "non-standard" configuration

Gartner's calculations result, on the average, in TCO comprising 2 to 3 times the purchase price of hardware and software, corresponding to an annual outlay of the order of magnitude DKK 40 000 to 60 000 per IT workplace. Some estimates are made in connection with the measurement of the Presentation of Accounts Act, based on individual businesses' internal accounts that support this interval of IT costs. The interviews with the businesses have shown that the accounts department in the biggest businesses is generally supported by more advanced IT systems than in the smaller businesses. Combined with Gartner's results for the average TCO of an IT workplace, the IT costs per member of staff in the accounts department in the small businesses, i.e. the B-businesses, are set at DKK 40 000, while the IT costs in the C-businesses are set at DKK 60 000 per year.⁹

General indirect costs

From the Danish Central Bureau of Statistics' accounts statistics it is possible, by means of a special analysis, to produce information regarding the businesses' expenditure for rent etc. and expenses regarding acquisition of small inventory/operating equipment with a short lifespan, that are assessed as covering half of the general, indirect costs for staff in the accounts department, cf. the table below. These costs cannot be specifically attributed to the accounts department, but the share of the costs per member of staff may be assumed to be largely the same for all departments in the business.

⁹ B-businesses as generally assessed as corresponding to small and medium-sized businesses, while C-business are assessed as being large businesses.

Table 1: General indirect costs per member of staff apportioned according to number of staff in the business

	0-9	10-19	20-99	100+	All groups
Outlay for acquisition of small inventory/operating equipment	286	446	2.198	5.852	2.945
Outlay for rent	5.691	11.839	17.894	16.706	13.487
<i>In all</i>	<i>5.977</i>	<i>12.285</i>	<i>20.092</i>	<i>22.558</i>	<i>16.432</i>

It is seen from the table that the general indirect costs per employee are less in businesses with fewer than 20 employees, which is first and foremost due to lower expenditure on rent.

Training

The Danish Central Bureau of Statistics publishes annual Work Costs Statistics that contain data regarding the businesses' staff costs that are not directly related to wages. The statistics contain information about costs for training broken down according to size of business and type. The training costs comprise the sum of:

- Costs of external training
- Fees to external instructors
- Costs of internal training

The annual training costs are broken down in the table below according to number of staff in the business.

Table 2: Annual training costs per member of staff apportioned according to number of staff in the business

Number of staff	Costs per member of staff
10-49 employees	1.753
50-99 employees	2.285

100-199 employees	2.423
Over 200 employees	2.936
<hr/>	
<i>In all for all businesses</i>	<i>2.187</i>

It is seen from the table that the training costs increase with the size of the business. For the smallest businesses the cost is DKK 1 753 a year and, for the largest businesses, almost twice that at DKK 2 936.

The statistics do not cover businesses with less than 10 employees. However, since the training costs increase with the size of the business it is likely that the training costs for businesses with less than 10 employees will be less than DKK 1 753 per year per employee. This is, however, devoid of significance for the overall result, as the training cost is limited in relation to the overall overhead.

Personal indirect costs

The last component in the overhead for accounts staff is the personal indirect costs. It has not been possible to produce data for calculating this cost. It may, however, be assumed that the cost is limited in relation to the other costs, and it has therefore been decided to ignore this in the calculation of the overall overhead.

Calculation of overall overhead

The following table summarises the calculated overhead costs of the staff in the accounts department. It is seen that the overall overhead in the small and medium sized businesses is DKK 50 884 and in the large businesses DKK 83 873 per member of staff per year.

Table 3: Overhead costs per member of staff per year, 2002

	Small and medium sized businesses	Large businesses
Information technology	40.000	60.000
General indirect costs	9.131	21.325
Training	1.753	2.548
Personal indirect costs	-	-

In all

50.884

83.873

In order to calculate the overall cost per hour as the sum of the direct and indirect costs for the various groups of staff, it is necessary to work out the overhead per hour. The direct wage costs are established as the earning per work hour performed, i.e. including overtime and excluding holiday times, free times on public holidays and absence times as a result of illness etc. The overall number of performed work hours is accounted by the Danish Central Bureau of Statistics in the Labour Survey. In these statistics there is stated, among other things, the number of performed hours for persons with a normal working week of 37 hours which, averaged over the year, amounts to 31.1 hours. This corresponds to the number of performed hours on an annual basis being 1 617 hours. This figure is used for the calculation of overhead per performed work hour.

The table below summarises the direct and indirect costs for each of the three categories of businesses, where the same overhead in DKK is assumed for all groups of staff.

Table 3. Overall costs per performed work hour broken down according to category of business and type of staff

	<i>Direct cost</i>	<i>Indirect cost</i>	<i>In all</i>	<i>Indirect costs as a percentage of direct costs</i>
<i>Small and medium sized businesses</i>				
Accounts department	185	31	216	17
Accounts manager/Finance manager	224	59	283	26
Director/management	236	59	295	25
<i>Large businesses</i>				
Accounts department	185	52	237	28
Accounts manager/Finance manager	261	52	313	20
Director/management	387	52	439	13

The calculation covers the most important elements in the overhead of staff in the accounts department that varies from 13 to 28 per cent of the direct costs. With regard to future updating of the baseline measurement it is appropriate to assume a fixed percentage that is retained over several years. As some of the smaller costs are not included in the above, for example the personal indirect costs, a fixed percentage of 25 is assumed that lies at the upper part of the interval.

Appendix 4: Overview of amendments made to the manual

Amendments carried out May 2005

- Introduction amended, whereby both ex-ante and ex-post measurements are now described.
- Removal of all text regarding zero-base measurement
- Section on population, frequency and incidence compiled and examples inserted (section 3.2.5)
- Different types of business interviews have been described (section 3.3.2)
- Levels 15, 16 and 17 deleted, as they are covered by the template for reporting

Amendments carried out January 2005

- Regulations with an executive order status are also included in the measurement (section 2.3.1).
- Information obligations that are not included in a Standard Cost Model measurement: rules that involve less than 100 hours administrative work and information obligations where a cost-determined reimbursement is given (section 2.3.5).
- Measurement of digital solutions (section 2.3.6).
- Memoranda shall no longer be sent to the Danish Commerce and Companies Agency as an extension of the conclusion of each individual level in the measurement. Instead the consultants shall continually assure themselves that it is documented how the individual levels are carried out. This documentation shall form the basis of the status reports that is to be drawn up in extension of phases 1 and 2, as well as when drawing up the final report under phase 3. This does not, however, alter the fact that the Danish Commerce and Companies Agency shall be continuously brought in and advised about methodological choices, demarcations etc. in connection with carrying out the measurement.
- Categorisation of messages has been updated (step 1, section 3.2.1)
- The number of standard activities has been extended by an activity regarding "Reporting/submitting information" (step 1, section 3.2.1)

- Division into obligatory/voluntary information obligations, including the subsequent division in regulation requirements, subsidies and certificates, has been specified (step 3, section 3.2.3)
- It has been specified that no ABC division shall be made of the rules that are to be included in the zero-base measurement (section 4)
- External personnel groups with associated hourly rates are included (appendix 2)

Amendments carried out October 2004

It is specified in chapter 4 that the zero-base measurement shall only include rules that are adopted after 27 November 2001. The effect of a proposal is, however, calculated in relation to the date when it comes into effect.

Amendments carried out September 2004

The amendments consist primarily of extensions and specifications of methods and procedures under the individual levels. The only actual additions are that the businesses' expenses for acquisitions shall, in certain cases, also be included in the measurement, cf. section on cost parameters (step 7, section 3.2.7), and that the messages shall be categorised in connection with the mapping of regulations, cf. section of breakdown (step 1, section 3.2.1).

Other specifications relate to, e.g.:

- Demarcation of the measurement – only commercial-relevant Danish laws and statutory instruments are measured (section 2.3.1)
- Specification of when voluntary rules are to be measured, and categorisation of this (section 2.3.3, and step 3, section 3.2.3)
- Definition of private businesses has been extended (section 2.3.2)
- Categorisation of the messages is added under step 1. In addition the ABC division has been moved to step 1, as the ministries can proceed with the division as soon as the legislation is broken down (section 3.2.1)
- It is specified that the breaking down of the legislation under step 1 shall also cover the laws and executive orders that are to be included in the zero-base measurement (section 3.2.1)
- Section on related regulation and demarcation to other legislation is specified (step 2, section 3.2.2)
- Digital reports have been defined in section 2.3.6

- Acquisitions and standard wage rates have been added under step 7, section 3.2.7
- The working out of the interview guide has been extended under step 8, section 3.2.8
- The inclusion of the reference group in levels 9, 13 and 15 is specified
- The business register's statement of forms of ownership is included (appendix 1)
- Internal personnel groups with associated hourly wages are included (appendix 2)
- The calculation of the overhead percentage of 25% is included (appendix 3)

Finally a few specifications have been made of the ABC guideline to the ministries, that primarily consist of A and B being divided into, respectively, "EU" or "other". In addition it is unspecified whether it is all Danish laws and statutory instruments that are measured, and thereby what there must be of decrees/follow from decrees in these. Finally some linguistic corrections have been made.