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Regulatory Compliance Cost Analysis of Transport Legislation in Germany

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Introduction

- Since the 1970s impact analyses of transport infrastructure investments have been carried out within the framework of the Federal Transport Infrastructure Plan (FTIP) (cost-benefit-analysis, environmental and nature conservation analysis, spatial impact assessment).
- In contrast to the FTIP other modifications of the legal framework, e.g. regarding the behaviour of road users and approval of vehicles, have only partially been subject to a comprehensive impact appraisal so far.
- Objectives of a comprehensive regulatory impact analysis (RIA) for all transport related legislation initiatives:
  - Improvement of the understanding of the impacts of government action
  - Enhancement of the transparency of the process
  - Higher accountability of the administration
  - Potential reduction of the bureaucracy burden for citizens, businesses and public authorities.

Evolution and current status of RIA in Germany

Since 2000: In general, **regulatory impact analysis** in Germany has to be carried out for every new regulation initiated and coordinated by the Federal Government (Joint Rules of Procedure of the Federal Ministries)

⇒ **Impacts under consideration**: administrative and budgetary burdens, sustainable development, side effects, the intended impacts of the new regulation

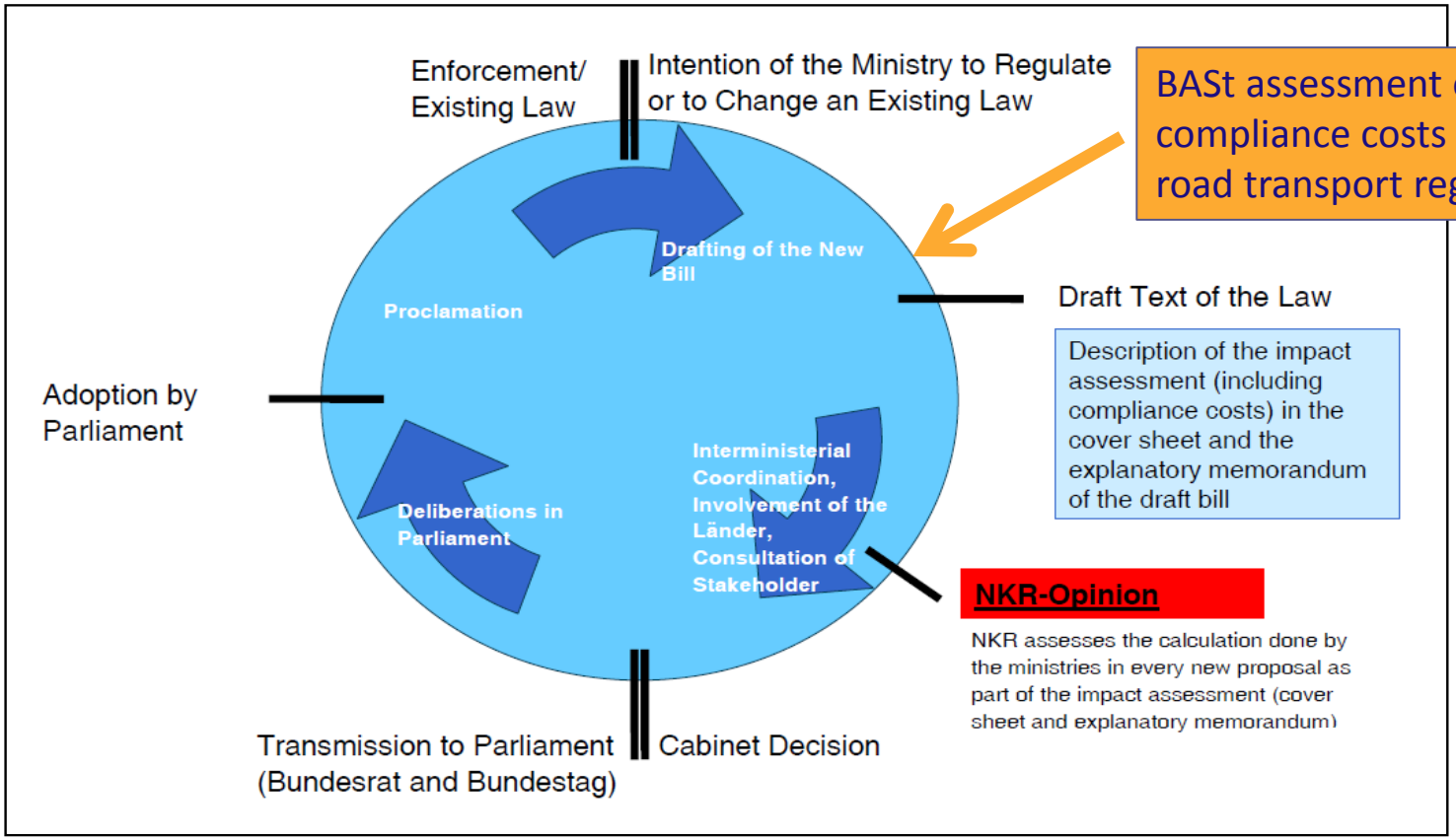
⇒ Guideline for conducting RIA gives only **recommendations** for the use of various **methods** (e.g. cost-benefit-analysis, multi-criteria-analysis, cost-effectiveness-analysis

Since 2006: Establishment of the Better Regulation Unit at the Federal Chancellery and the **National Regulatory Control Council** (NKR) as an **independent advisory body** to apply, monitor and further develop a standardised measurement methodology of the bureaucracy costs of legislation

⇒ Application of the **Standard Cost Model** (SCM) to determine the administrative burdens for citizens, businesses and public authorities imposed by **information obligations** stemming from regulations.

Since 2011: Enhancement of the ex-ante assessment by the inclusion of the total **compliance costs** for citizens, the business sector and public authorities based on new guidelines.

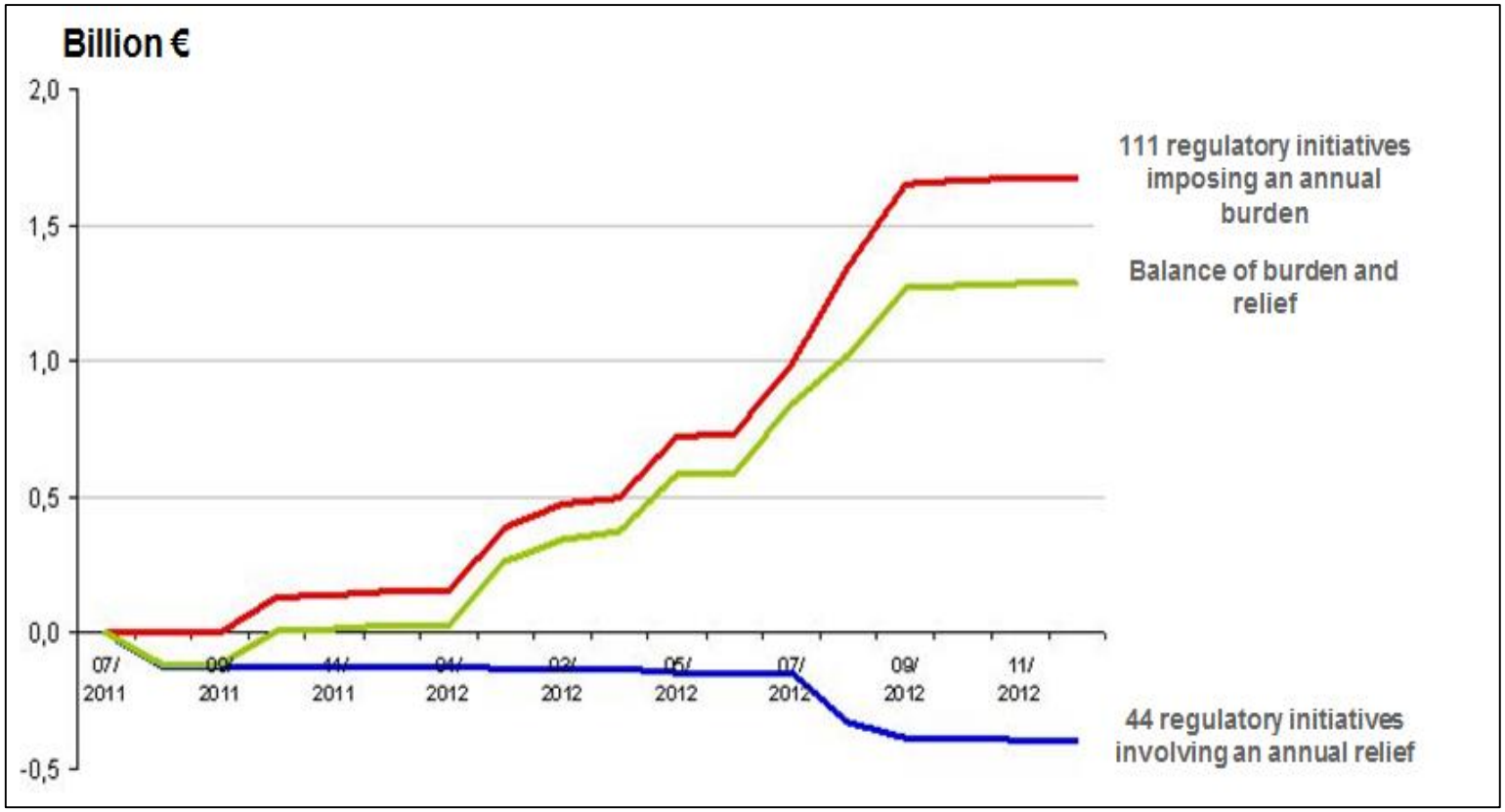
Evolution and current status of RIA in Germany



Source: Catenhusen 2012

⇒ Ex-ante procedure of RIA in Germany as important part of the legislation

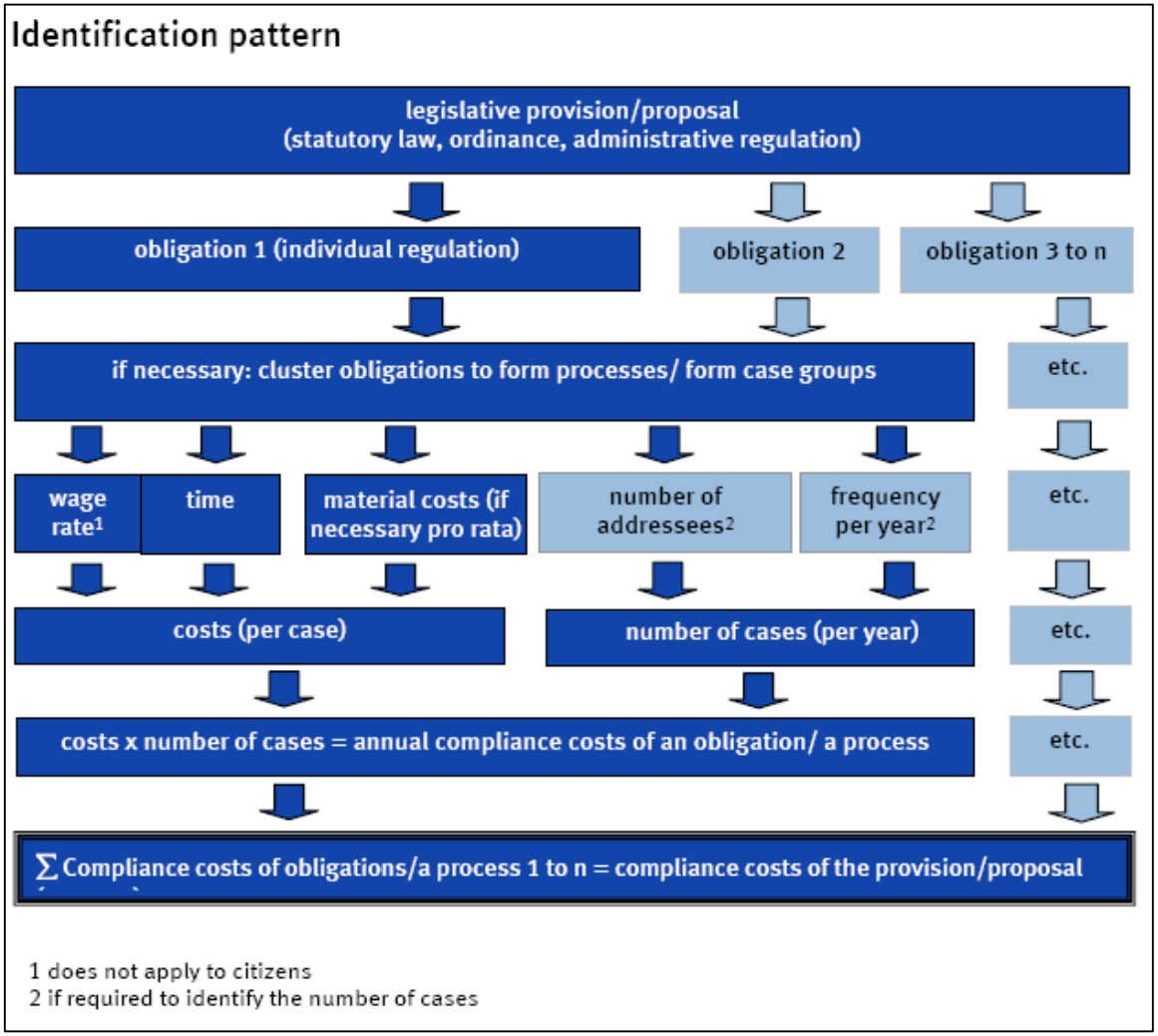
Evolution and current status of RIA in Germany



Source: NRCC 2013

⇒ Development of the annual compliance costs of the business sector and public authorities as a whole since 1 July 2011

Example transferable number plates



Step 1: Identification of all obligations

- Application for registration of vehicle (citizens/businesses)
- Required change of number plates between vehicles before driving (citizens/businesses)
- Adaptation of insurance contracts by insurance industry
- Adaptation of machines and tools of sign manufacturers
- Adjustments at the vehicle registration offices

Source: Federal Government 2012

Example transferable number plates

Step 2: Identification of the change in compliance costs

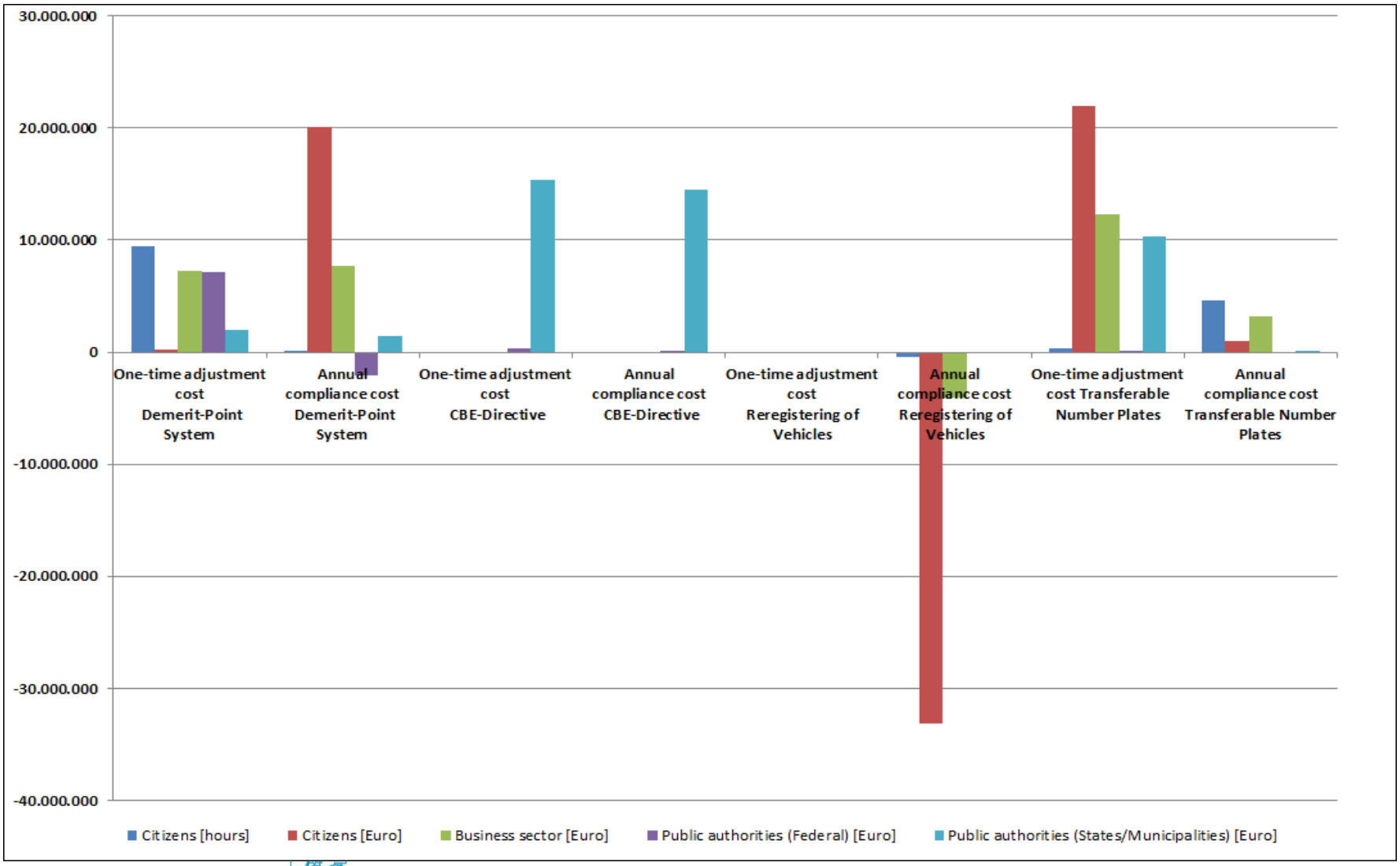
	Exemplary calculation public authorities (vehicle registration offices)
Step 2.1: change of number in cases per obligation	• 54,000 new registrations with transferable number plates per year
Step 2.2: change in costs of each case per obligation	• + 5 min per registration 24.30 €/h for employees (lower intermediate service grade) → cost per case : 24.30 €/h x 5/60 = + 2.02 € per case
Step 2.3: total change in compliance costs	• + 109,000 € for all vehicle registration offices (54,000 x 2.02 € = 109,080 €)

Example transferable number plates

Step 3: Presentation of the results (introductory summary and the explanatory memorandum)

Compliance cost for a regulation of transferable number plates					
		Citizens	Business sector	Public authorities	
				Federal	States/ Municipalities
One-time adjustment costs	time (citizens) / staff cost (businesses, public authorities)	366,000 h	10,400,000 €	21,000 €	10,300,000 €
	material cost	21,960,000 €	1,925,000 €	-	-
Annual costs	time (citizens) / staff cost (businesses, public authorities)	4,667,000 €	3,200,000 €	-	109,000 €
	material cost	1,040,000 €	40,000 €	-	-

Overview of estimations of compliance costs of selected transport regulations



Enhancement of current German RIA scheme

→ Limitations of the current approach

- Focus only on the cost side of certain stakeholders, benefits are neglected
- Simply applicable methodology, but no comprehensive cost-benefit-analyses / multi-criteria assessment
- Calculations are based on estimated or assumed unitary values instead of a potential range of values
- No scenario or sensitivity analysis of regulation alternatives
- Limitations of the analysis are not always clearly reported
- Only ex-ante view. An ex-post evaluation after implementation of new regulations is missing.

Enhancement of current German RIA scheme

→ Recent new developments

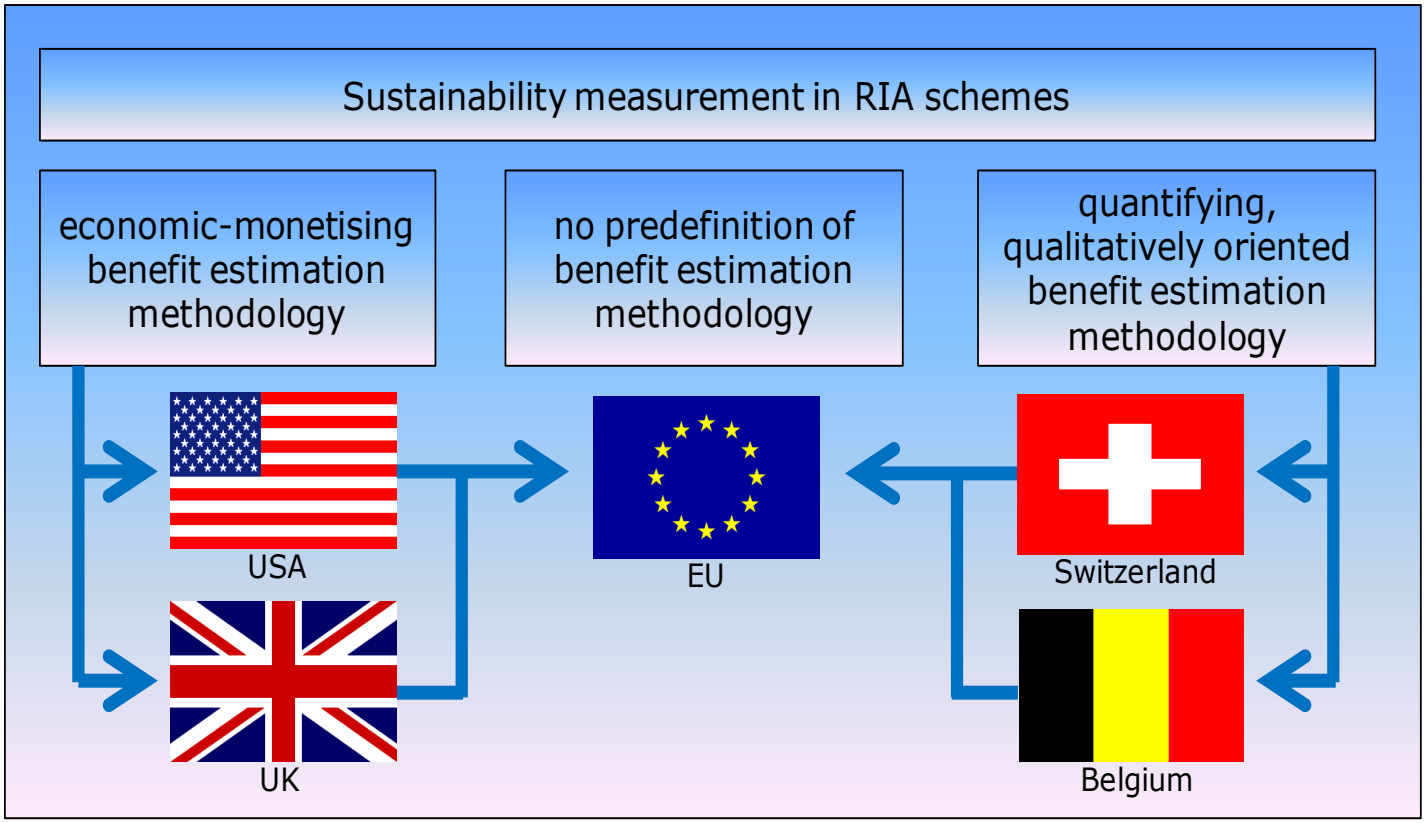
1. Cabinet decision on the introduction of an ex-post evaluation scheme

- For all essential regulations (≥ 1 million € / 100.000 h annual compliance cost for one stakeholder)
- Main evaluation criterion is target achievement of the regulation
- 3-5 years after implementation
- Scope not defined

2. New Study on the introduction of an ex-ante Standard Benefits Model

- General applicable Benefit estimation tool (Focus sustainability)
- Quantifying but not monetising approach
- Multi-Attribute-Decision-Making-Model
- Sustainability result is displayed on a scale from -3 to +3

Enhancement of current German RIA scheme



Source: Wittberg et al. 2013

⇒ Comparison of applied RIA methodologies in different countries

Conclusions I

- Besides of existing legally agreed rules on how to proceed within RIA, no systematically use of socio-economic analysis tools during the legislative process in Germany.
- The step-wise introduction of different analysis steps has shown a gradually better understanding of the importance of RIA in the administration and put public pressure on the involved ministries to conduct compliance cost analyses regularly.
- The transparency has been increased significantly since the results from the compliance cost analyses are a vital and important element of the public discussions of draft regulations.
- As shown in the calculation and documentation of the comparatively simple example of the introduction of transferable number plates, the research effort of a draft regulation can be high even if sophisticated scientific standards are not applied. It has to be considered that the ministries, which are responsible for the impact analysis, are equipped with the necessary qualified personnel in order to conduct reliable and adequate estimations.

Conclusions II

- Nevertheless, taking only the cost side into account and neglecting the benefit side could give an unbalanced view on the impacts caused by (transport) regulations. From an economic point of view it would be better to monetise all impacts and compile a benefit-cost ratio to assess the socio-economic profitability of a new regulation.
- It seems also critical that assumed unitary values rather than a possible range of values are used in the RIA scheme. Also scenario or sensitivity analyses would provide a better insight on the impacts of different regulation alternatives or on influencing framework parameters, which are connected to the respective regulation.
- An enhancement of the limited compliance cost analysis towards an comprehensive ex-ante assessment as well as an ex-post evaluation of costs and benefits is desirable. Finally, also a rather qualitative multi-criteria analysis of the benefits could be a further improvement of the RIA scheme in Germany.

Thank you for your attention!
Questions?



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