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Date 8 April 2009

Our reference
3076752

Dear mr. Barroso, *Dear Jose Manuel,*

First of all I would like to congratulate you with the European action programme undertaken by your Commission since 2004, aimed at reducing redundant administrative burdens on businesses by 25% in 2012.

I am pleased the Commission has taken this work so seriously and that such effort is being made to reduce administrative burdens stemming from EU legislation, given the essential EU contribution to the national regulatory programmes. As stressed in the European Economic Recovery Plan, in the current context of an exceptional economic and financial downturn with growing pressure on businesses and on households, the quality of the regulatory environment is more important than ever before. In a short timeframe you have shown it is possible to manage such a complex undertaking in a pragmatic way, as a concerted effort of Commission, Member States and other European institutions.

The first results of the action programme are visible now - in the context of the recent broader third strategic review of Better Regulation - by introducing simplification of VAT rules on invoicing (fostering simultaneously innovation for businesses and tax authorities) and exceptions for micro-entities in company law. These recently published reduction proposals are of eminent importance. I am confident we will be able to produce significant savings for our businesses on all the 13 priority areas identified by the Commission. More generally we welcome the implementation of Common Commencement Dates by the Commission for future regulations and decisions affecting businesses, where practicable. This allows SMEs in particular to better prepare and adapt to legislative changes. The main advantage lays in the fact that coordination and harmonisation are being achieved through European legislation, when it comes to frequency and data on which regulation relevant for businesses becomes effective.

Herewith the Dutch Government's contribution to your invitation to Member States to provide input for the EU exercise for businesses: a package of 62 concrete reduction proposals annexed to this letter, reflecting a balanced mix of suggestions to the Commission of how administrative burdens could be reduced substantially and tangibly in 14 key areas, without jeopardising the necessary



protection level legislation provides, in some cases even leading to win-win solutions. The structural and short-term proposals are in line with the key pillars of the European Economic Recovery Plan, stressing the need to open up new finance, cut administrative burdens and kick-start investment. According to our own estimates the administrative burden reduction proposals in particular could lead to an additional € 500 millions of savings to the Dutch economy and to nearly 6% of our national reduction target, if adopted by the Commission.

The package consists of many proposals leading to quantitative high savings, especially in areas such as working environment, food safety, financial services, transport and accountability for receiving government grants. At the same time the package contains proposals aimed at tackling the experienced regulatory burdens and underlying irritants for businesses and SMEs, particularly in areas such as statistics, agriculture, working environment, environment, company law, cohesion policy and pharmaceutical legislation. Additionally, previously developed proposals by other stakeholders which can count on explicit Dutch support are mentioned per priority domain in our own package.

I would like to seize this opportunity to provide you with an update on recent regulatory developments in the Netherlands.

Last Autumn we sent a new comprehensive package of concrete measures to Parliament to further reduce regulatory burdens imposed on businesses, by which we will be able to realise a net national target of 25% for the second consecutive time. This includes a number of measures to be taken on the EU level.

The current European programme focuses on the costs and benefits of business regulation, as it was the case for the Dutch administrative burden approach when it started in 2003. Since then we have deepened our programme to other regulatory aspects (such as selective substantive compliance costs and experienced burdens) and broadened our spectrum to the benefit of other target groups such as citizens, institutions, municipalities and professionals in the public sector. I would like to recommend the (new) Commission to broaden the scope of its programme in a similar way as a growing number of Member States.

We look forward to a continued fruitful cooperation and exchange of views on regulatory reform in the near future.

Yours sincerely,

Dr. Jan Peter Balkenende
Prime Minister of the Kingdom of The Netherlands



Annex: some examples of high impact administrative burden reduction proposals

- In the field of working environment the most significant proposal is to amend the Framework Directive by exempting firms up to 10 employees from the obligation to produce a Risk Assessment and Evaluation in writing. In such a way flexibility is (re)introduced, with room for Member States to manoeuvre and formulate their national prevention policies.
- Common Commencement Dates should be introduced once a year for the directive relating to the labelling, presentation and advertising of foodstuffs. Additionally, the information that producers are required to provide on packaging should be limited to what is necessary for the majority of consumers. With alternative options (e.g. digitalized) to present the product information, a company is much more flexible and can still deliver the same level of information regarding its consumers without re-labeling all of their products. This proposal would mean a significant quantitative administrative burden reduction. At the same time the annoyance reduction caused by the present requirements regarding the labelling of prepacked products is expected to have a high qualitative impact on the involved businesses as well.
- In the area of financial services the MiFID proposals would lead to a significant decrease in regulatory costs for investment firms and prevent future burdens from arising. These proposals would also have high impact across Europe in terms of level playing field. Information obligations related to the third money laundering directive should be made more risk based, among others. The so-called PEP check (regarding politically exposed persons) and the verification of the ultimate beneficial owner in particular lead to high administrative burdens and compliance costs for financial institutions. Not every PEP poses the same risk, so the EU could specify in the directive that institutions should be able to determine whether a customer is a politically exposed person in situations where there is an enhanced risk of corruption.
- When it comes to transport the digital tachograph should become more user-friendly for businesses, with less detailed technical legislative specifications. This would foster simultaneously more innovation in the sector. The proposal entails also more freedom for Member States to exempt national transport from obsolete rules, provided it is not competitive-sensitive and it does not pose a danger to road safety. The proposal would lead approximately to 10% reduction in administrative burdens. If individual Member States get the opportunity to increase the amount of branches that are excluded from using the digital tachograph, the decrease in administrative burden will be higher. Besides that, the proposal would mean approximately 20% less compliance costs and a huge impact on the annoyance reduction in the sector. The proposal related to the transport of 45 feet containers (longer maximum vehicle length) would lead to lower transport costs, making the transport industry more efficient and increasing competition within the EU.
- In the field of company law the creditor protection system should be revised fundamentally, developing proposals for an alternative system without a mandatory minimum capital. Businesses would need less capital at the start of their activities, on top of the achieved gains in terms of administrative burden reduction. Moreover, other burdensome formalities in the directive, like the expert valuation and the rules on financial assistance, reduction of capital and mandatory reserves, can be abolished.
- Regarding the Intrastat reporting obligations we propose a further reduction of the compulsory minimum coverage rates of total dispatches and total arrivals of goods to 90%, in order to exempt additional SMEs from this statistical obligation. Besides the quantitative benefits, this proposal would have a clear impact in terms of annoyance reduction (less surveys).
- In the field of cohesion policy the Structural Funds procedures such as an ex-post audit of a project are particularly burdensome for SMEs. Taking into account the need to engage SMEs, the proportionality principle should be applied: the smaller the project funded or co-financed by the EU, the less administrative burdens should be involved. Swift execution of partial closures of operational programmes would identify irregularities and necessary corrective actions on a regular and timely basis. This would reduce considerably risk of error, administrative burdens and financial risk for the whole financial period. Additionally it would open up possibilities for improved financial management by Member States and supervision by the Commission.
- Accountability requirements seriously hinder proper accessibility to grants for smaller beneficiaries, especially in times of economic decline. In our view these requirements should be proportional for small government grants.



- A proposal in the area of public procurement is aimed at increasing the use of the dynamic purchasing system and by that lowering the costs for economic operators to tender for a contract, by removing a redundant obligation for contracting authorities.
- In the area of agriculture and agricultural subsidies the proposals are aimed at reducing disproportionate burdens related to the implementation of cross-compliance and the single payment scheme. It is expected as well that the reduction of annoyance caused by time spent on submitting documentation to control officials, will have a much larger impact on the perception of farmers than the reduction of real costs in euros.
- When it comes to environment one of the proposals relates to the Waste Shipment Regulation. The fast completion of the list containing mixed cargo qualified for a short procedure could mean a potential massive administrative burden reduction, dependent on the number of mixed cargos on the list.
- As regards to pharmaceuticals the coherence between the requirements for quality, safety and efficacy/functionality of medicinal products and medical devices should be improved. Additionally, these requirements could be based more on an extensive risk analysis of the product. This would lead to a less labour-intensive market access for new products while maintaining the same level of quality and safety. It is expected that the annoyance reduction caused by time spent on deciding which legislation is applicable, will have a highly positive impact on the perception of the pharmaceutical and medical technical industry.