



Study on the compliance by Member States on the time needed to get licences and permits to take up and perform the specific activity of an enterprise as from beginning of 2014

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EXECUTIVE SUMMARY

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Executive Summary

Introduction

This report presents the findings of a *Study on the compliance by Member States on the time needed to get licences and permits to take up and perform the specific activity of an enterprise as from beginning of 2014*. The study was undertaken by the Centre for Strategy and Evaluation Services (CSES) on behalf of the European Commission.

The overall objective of the study has been to **check and ascertain compliance** by the 28 Member States (and 9 other countries participating in the Competitiveness and Innovation Framework Programme (CIP)¹) with the commitment to reduce the time needed to get licences and permits to take up and perform the specific activity of an enterprise to three months by the end of 2013. This commitment arises from the May 2011 meeting of the EU's Competitiveness Council ("the May 2011 commitment").

Compliance by the Member States and other CIP countries has been undertaken with respect to five benchmark companies, which were defined in a Commission Staff Working Document on Assessing Business Start-Up Procedures:

- Hotel with restaurant;
- Plumbing company;
- Wholesale or retail distributor;
- Manufacturer of steel products; and
- Manufacturer of small IT devices.²

The research involved reviewing national and regional policy, establishing which licences are required for each of the five benchmark model companies, gathering data on the time taken for licences to be issued and the fees payable to licencing authorities, and analysing examples of good practice. The main data sources included previous studies, information published by licencing authorities and consultations of stakeholders (licencing authorities, businesses, chambers of commerce and other business organisations, other experts).

The data has been gathered from multiple sources of very different natures and in the absence of a universally-accepted methodology for recording and publishing information on the time taken. However, this study has laid the foundations on which future studies can build by establishing a list of licences for each benchmark model company in each country. This provides a degree of comparability across Member States for the current study. It can also help future studies that focus on the experience of particular types of companies and/or individual Member States.

¹ Albania, Former Yugoslav Republic of Macedonia (FYROM), Iceland, Israel, Liechtenstein, Montenegro, Norway, Serbia and Turkey

² European Commission, Assessing Business Start-Up Procedures in the context of the renewed Lisbon strategy for growth and jobs; SEC(2007) 129.

Context for the study

The European Commission has acknowledged the need for the EU and its Member States to support SMEs given the fundamental role they play in economic growth and cohesion. It has put particular emphasis on a number of issues such as business start-ups and licencing attempting to assess the impact of the level of complexity of licencing procedures on the dynamics of business creation and activity.

The 2008 Communication 'Think Small First' / A 'Small Business Act' for Europe (the SBA) set 10 principles to guide the development and implementation of policies affecting SMEs and start-ups at EU and Member State level.³ Principle 4 of the SBA implies the need for the Member States to reduce the level of fees requested by the administrations for registering a business, continue to reduce the time required to set up a business to less than one week, and accelerate the commencement of SMEs' commercial operations by reducing and simplifying business licences and permits.

In its Conclusions on the Review of the Small Business Act, the May 2011 Competitiveness Council stated that it "*Encourages the Member States, where appropriate, to reduce the start-up time for new enterprises to 3 working days and the cost to €100 by 2012, as well as the time needed to get licences and permits to take up and perform the specific activity of an enterprise to three months by the end of 2013*". This commitment formed the subject of the study. In early 2013, the Commission then invited the Member States to "*reduce the time for licencing and other authorisations necessary to start a business activity to one month*" by the end of 2015.⁴

Response to the May 2011 Commitment

Although the May 2011 Commitment has not been explicitly referred to in the policies or strategies of EU Member States, its aims and principles have been heeded and taken up. A number of EU Member States have adopted major reforms since May 2011 to simplify and streamline procedures for business creation and, at the same time, for business licence applications. These include Austria, Bulgaria, the Czech Republic, Estonia, France, Greece and Slovakia. Important legislation reflecting the spirit of the May 2011 commitment has been adopted in Croatia, Denmark, Ireland, Italy, Luxembourg, Malta, the Netherlands, Poland, Portugal, Serbia and Spain.

Member States have also taken specific actions to reduce the time, cost and complexity involved in obtaining licences, although the procedures related to business legislation and licencing remain diverse across the Member States. We can highlight several main types:

- One-stop-shops, national Points of Single Contact, on-line government portals and centralised trade registers: these often make use of new digital technologies to centralise and streamline administrative procedures;
- Approaches based on compliance and self-declaration: the need for licences to be obtained prior to commencement of the activity has been replaced by an obligation to comply with legislative requirements, perhaps accompanied by a

³ COM (2008) 394 final

⁴ Entrepreneurship 2020 Action Plan; COM(2012) 795 final

self-declaration of compliance. The businesses in question are then usually subject to some sort of inspection once the activity is under way;

- Help for applicants in completing application documentation, such as consultation days when applicants can discuss their application with the licencing authority in advance of submission; and
- Minimising the need to supply the same information more than once to different government agencies, particularly through electronic solutions, such as the integration of databases of different government agencies.

Licences required

There is considerable variation in the number and type of licences required across the different benchmark model companies and across the 28 Member States. In some cases, the total number of licences required tends to be understated, as some licences address multiple requirements.

Of the five benchmark model companies, hotels with restaurant require the largest number of licences, although there is considerable variation between Member States.

Manufacturers of steel products and of small IT devices require no more than two or three licences in most Member States. Those licences tend to be generic rather than specific to those sectors.

Some manufacturers of steel products and small IT devices can face a greater regulatory burden in ensuring the conformity of products to EU legislation than in securing ex-ante licences and permits. As a result, these benchmark model companies should not necessarily be considered as less heavily regulated than the other benchmark model companies.

For some activities, enterprises are required to use professionally-qualified staff rather than apply for licences, notably plumbing and food safety. Provided that the vocational education and training system can provide an adequate supply of such individuals, then enterprises do not face any time constraints in starting their activities.

Licensing requirements are highest around: operation of a hotel, sale of alcohol, environmental considerations, fire safety and general safety.

Member States impose very few licences related to employees. However, some do require most/all of the benchmark model companies to provide compulsory health and safety training for their employees.

There are few instances in which cross-border operators are required to gain specific additional licences. Mutual recognition of qualifications has the potential to play an important role for some activities, e.g. plumbing.

Time taken to obtain licences

For most of the five benchmark model companies in most countries, each individual licence can usually be obtained in three months or less.

Most plumbing companies can obtain any required licences in less than one month, as can manufacturers of steel products and small IT devices in around half of all Member States. For those three types of company, individual licences rarely take more than

three months to obtain unless the company's premises or activities give rise to specific hazards, particularly to the environment.

Most licences for hotels with restaurants and for wholesale or retail distributors take between one and three months to obtain. Licences to sell or distribute alcohol can take longer than three months to obtain in some Member States. The need for on-site inspection of hotels (whether for a general hotel licence or for reasons of safety) can extend the time taken to get licences for a hotel with a restaurant beyond three months.

The need to undertake environmental impact assessments in advance of or as part of the licence application process can significantly lengthen the time taken to obtain business licences across all sectors, but particularly the manufacture of steel products and small IT devices, as the licencing requirements are otherwise quite light for these benchmark model companies.

For companies building, converting or refurbishing business premises, the process of gaining planning permission and other approvals can vastly exceed the time taken to gain licences and permits for the business activity itself. Moreover, where companies can apply for licences for the business activity in parallel to seeking planning permission, it is unlikely that the time taken to obtain such licences causes any significant delay to the commencement of business operations.

The time taken to obtain licences can vary widely between different localities, even within the same country. This often reflects the capacity and/or efficiency of the municipality. There is, therefore, potential for municipalities and other local licencing authorities to learn from each other, both within a country and across EU28.

The need to obtain licences in sequence can significantly increase the time taken to obtain licences for some of the benchmark model companies in some Member States. The difficulties and delays caused by the need to obtain licences in sequence are significantly reduced for businesses that are renewing their licences rather than applying for the first time.

The requirement to obtain a large number of licences can also extend the total time taken to obtain all licences, even if licences can be applied for in parallel, since applicants are more likely to submit an incorrect application or lack the resources to submit all applications at once.

The time taken to obtain all licences can be significantly reduced where business associations, chambers of commerce, etc. provide support to applicants. However, it cannot be assumed that all businesses or all sectors have access to such support.

Fees payable to licencing authorities

The fees payable to obtain licences vary widely across Member States and across the different types of benchmark model company, from €0 to €7,000. The average fees payable for all licences range from about €300 (manufacturer of small IT devices) to about €1,235 (hotel with a restaurant).

As shown in Figure 1 below, the average fee payable to obtain all licences across all five benchmark model companies and across EU28 is €686. There is considerable variation between the Member States, from less than €100 in Estonia and Luxembourg

to more than €2,000 in Ireland⁵ and €1,000 in Spain, Croatia, Hungary, Finland, Sweden and the UK.⁶

The most expensive licences tend to relate to buildings and premises and/or environmental considerations, as well as the general operation and/or classification of a hotel. Licences for the sale or distribution of alcohol and related to food hygiene can also be expensive in some countries.

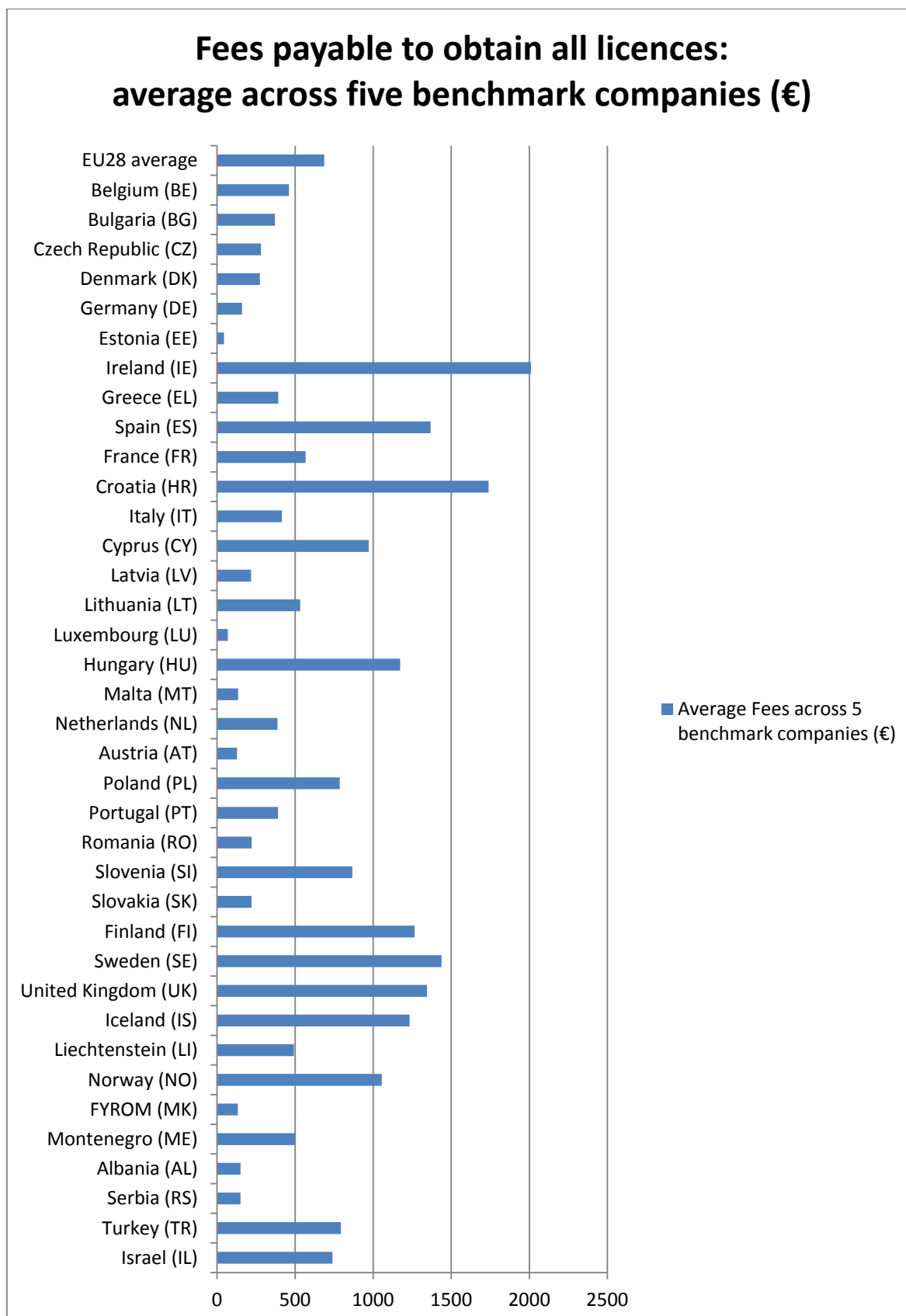
Plumbing companies and manufacturers of steel products and small IT devices typically face licence fees of less than €1,000, perhaps even zero cost, unless their activities or premises raise particular risks to the health and safety and the environment.

The need to prepare environmental impact assessments in support of a licence application can significantly add to the cost of obtaining a licence, perhaps as much as €10,000.

⁵ This high average cost for Ireland is largely because of the Industrial Emissions Licence, which is only required for manufacturers of steel products and is not therefore representative of all companies.

⁶ These averages should be treated with caution and not considered as "typical" for all companies; a single costly licence (but that is not required by all five benchmark companies) can distort the overall average; second, the benchmark model companies are not equally present in each Member State (e.g. there are many hotels in Malta but very few manufacturers of steel products or small IT devices); third, the importance of each benchmark model company varies between the Member States; fourth, the five benchmark model companies are not necessarily representative of all companies in each Member State.

Figure 1: Average fees payable across five benchmark companies



Performance against the May 2011 Commitment

The actions taken by Member States both before and since the May 2011 Commitment have tended to reduce the time, cost and burden associated with business licencing.

As shown in Table 1 below, Member States have mostly reduced the time needed to get licences and permits to take up and perform the specific activity of an enterprise to three months by the end of 2013.

Only a small number of licences in a few countries tend to take more than 3 months to obtain. Similarly, in only a few cases does it take significantly more than 2 months to gain all licences for any of the five benchmark model companies.

As shown in Figure 2 below, the average time taken to obtain all licences across all five benchmark model companies and across EU28 is 46 days, i.e. about 1.5 months, which is well within the 3-month target set by the May 2011 Commitment. However, there is considerable variation between the Member States, from less than one week in Estonia to about 3 months or more in Austria, Lithuania, Poland and Spain.⁷

The exceptions to the 3-month target tend mostly to relate either to: i) the construction of business premises rather than to the business activity itself; ii) business activities that pose significant risks to the environment and/or health and safety.

This broadly positive headline finding does not take into account two factors that can significantly delay the time taken to obtain licences: i) the need to fulfil activities in advance of submitting a licence application, such as preparing an environmental impact assessment; ii) rejection of incomplete or inaccurate applications (for which data is rarely available).

Only four of the Member States have reduced the time for licencing and other authorisations necessary to start a business activity to one month across all five benchmark model companies (see the table below). It therefore seems likely that most Member States will not reach this timescale by the end of 2015; indeed, none have explicitly adopted the one-month timescale as a target.

Hotel with a restaurant: it is usually possible to acquire all licences within three months in all Member States, whilst in 11 Member States licences can usually be acquired within about one month or less. The licences that tend to take longest are usually those relating to the general operation of the hotel.

Plumbing company: it is usually possible to acquire all licences within one month in the majority (19) of Member States and in about three months or less in the other Member States. The main regulatory requirements relate to the use of qualified staff, rather than to licenced companies per se.

Wholesale or retail distributor: it is usually possible to acquire all licences in less than 3 months in 24 Member States, whilst in the other 4 it takes about three months. The 'lengthy' licences tend to be related to sale of alcoholic beverages.

⁷ Again, these averages should be treated with caution and not considered as "typical" for all companies in each Member State, for the reasons given in the previous footnote.

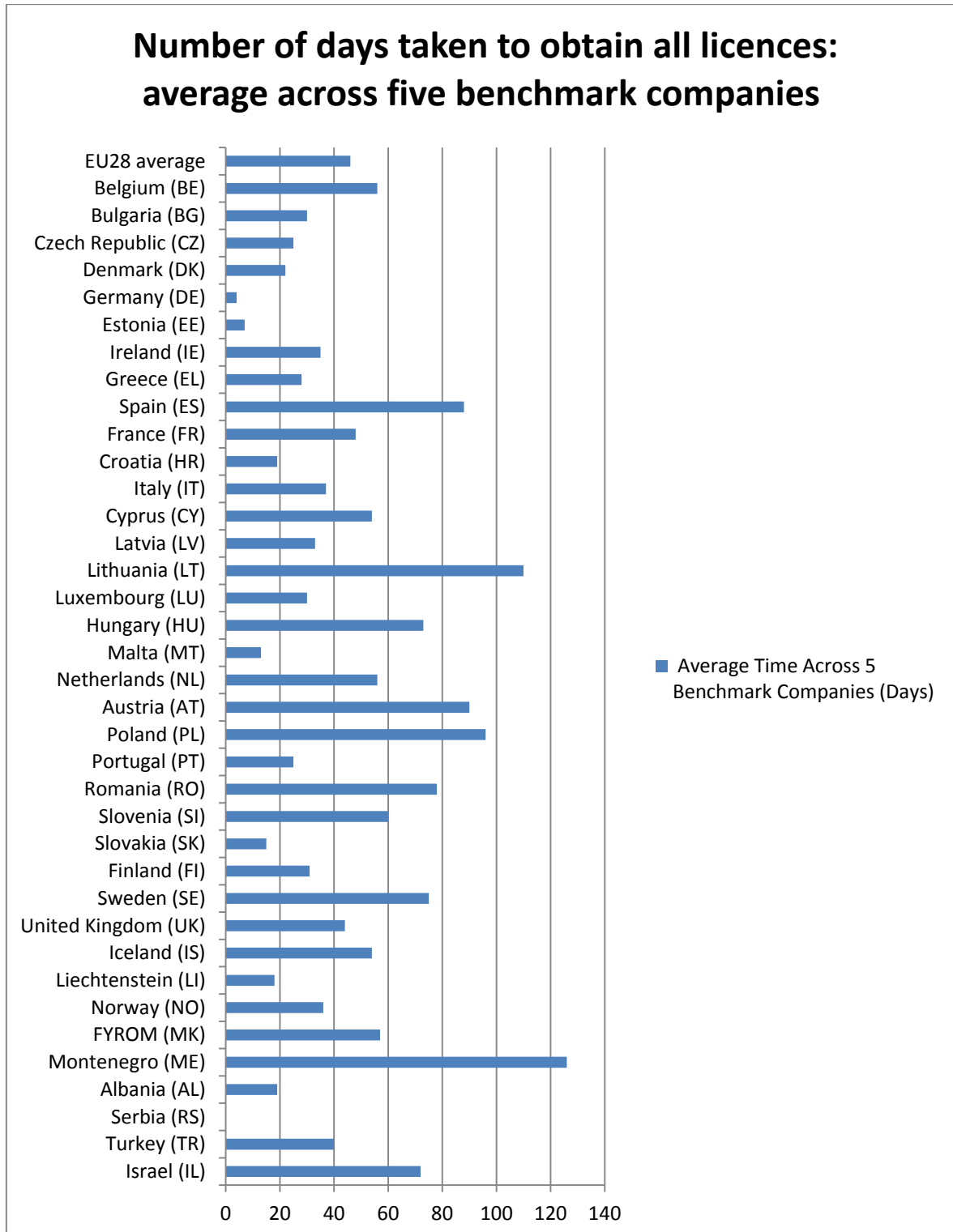
Manufacturer of steel products: in 3 Member States it usually takes about three months, whilst in another 3 it usually takes more than 3 months to acquire the necessary licences. In general, there are few, if any, licences or requirements relating to steel products themselves. Some aspects of the production process may require compliance with legislation on an ongoing basis, rather than requiring prior licencing. Licences related to environmental considerations and the use of potentially hazardous products tend to take longest to obtain.

Manufacturer of small IT devices: it is usually possible to acquire all licences within one month in the majority (21) of Member States and in about three months or less in the other Member States, unless there is a need to obtain licences related to environmental considerations and the use of potentially hazardous products.

Table 1: Performance against the May 2011 Commitment

Benchmark company	Performance against the May 2011 Commitment
Hotel with restaurant	<ul style="list-style-type: none"> ▪ In 11 Member States, it is usually possible to acquire all licences within 1 month or less (BG, DK, DE, EE, LV, HU, MT, PT, SI, FI, UK). ▪ In 7 Member States, it usually takes between 1-3 months to acquire all licences (CZ, IE, EL, FR, LT, LU, SK). ▪ In 10 Member States, it takes about 3 months to acquire all licences (BE, ES, HR, IT, CY, NL, AT, PL, RO, SE).
Plumbing company	<ul style="list-style-type: none"> ▪ In 19 Member States, it is usually possible to acquire all licences within one month or less (BE, BG, CZ, DE, EE, IE, EL, ES, FR, HR, IT, CY, LV, LU, HU, MT, NL, SK, FI). ▪ In 7 Member States, it usually takes between 1-3 months to acquire all licences (DK, LT, PL, PT, SI, SE, UK). ▪ In 2 Member States, it takes about 3 months to acquire all licences (AT, RO).
Wholesale or Retail Distributor	<ul style="list-style-type: none"> ▪ In 15 Member States, it is usually possible to acquire all licences within 1 month or less (BG, DK, DE, EE, IE, HR, CY, LV, LU, HU, MT, PT, RO, SI, UK). ▪ In 9 Member States, it usually takes between 1-3 months to acquire all licences (BE, CZ, EL, ES, FR, IT, LT, PL, SK). ▪ In 4 Member States, it takes about 3 months to acquire all licences (NL, AT, FI, SE).
Manufacturer of steel products	<ul style="list-style-type: none"> ▪ In 16 Member States, it is usually possible to acquire all licences within one month or less (BE, BG, CZ, DK, DE, EE, EL, FR, CY, LU, MT, PT, SI, SK, FI, UK). ▪ In 6 Member States, it usually takes between 1-3 months to acquire all licences (IE, HR, LV, NL, PL, SE). ▪ In 3 Member States, it takes about 3 months to acquire all licences (IT, AT, RO). ▪ In 3 Member States, it usually takes more than 3 months to acquire all licences (ES, LT, HU).
Manufacturer of small IT devices	<ul style="list-style-type: none"> ▪ In 21 Member States, it is usually possible to acquire all licences within one month or less (BE, BG, CZ, DK, DE, EE, IE, EL, FR, HR, CY, LV, LT, LU, HU, MT, PT, SK, FI, UK). ▪ In 3 Member States, it usually takes between 1-3 months to acquire all licences (NL, PL, SE). ▪ In 4 Member States, it takes about 3 months to acquire all licences (ES, IT, AT, RO).

Figure 2: Average time taken across five benchmark companies



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