

HELMUT JEGLITSCH
CHRISTINE MÉSZAROS-
KNOLL

■ LICENSING, PERMITS AND AUTHO- RISATIONS FOR INDUSTRY

EMPHASISING SMES

The basic idea behind this benchmarking project is that the quality, efficiency and duration of authorisation processes for new investments in plant equipment and new technologies affect the competitiveness of European industry. It turned out that the crucial point in all authorisation processes is the attitude of the actors involved. Legal and administrative framework conditions are of minor importance for improving the licensing procedures.

The benchmarking project focuses on licensing or authorisation processes for industrial plants and equipment in 11 countries and regions, 8 of them in the EU (Austria, Brussels, Flanders, Finland, Greece, Luxembourg, Portugal and Sweden) and 3 from overseas (the State of Georgia, USA, the State of Victoria, Australia, the Province of Quebec, Canada). The aim of the study is to identify best practices and their “enablers” as well as measures which could be implemented in order to improve the authorisation processes in EU countries.

57 licensing procedures in eleven countries and regions were examined. 75 percent of the enterprises investigated had less than 250 employees and 84 percent of the investments studied amounted to less than EUR 10 million. Most firms studied had very little experience in applying for licences.

Only such investment cases could be included in the study as were suitable in size and sector and where both employers and authorities were ready to co-operate. As this was likely to cause a selection bias, and, furthermore, the number of cases was very small, the study cannot come up with statistic figures. However, the aim of the project – the identification of best practices – was achieved.

FINDINGS OF THE STUDY

CASE STUDIES

All authorisation processes (or applications for licences) investigated were conducted between 1996 and 1999, and all of them concerned investments in the re-

Helmut Jeglitsch is an economist at WIFO, Christine Mészáros-Knoll is assistant to the WIFO Board. This article is based on a study compiled by the Austrian Institute of Economic Research on behalf of the Austrian Federal Ministry of Economics and Labour and the European Commission, DG Enterprise. For further information please see: <http://bm-licensing.wsr.ac.at/reports/reports.html>

• The authors are grateful to Karl Aiginger and Gunther Tichy for helpful comments. • e-mail addresses: Helmut.Jeglitsch@wifo.ac.at, Christine.Knoll@wifo.ac.at

Table 1: Distribution of selected enterprises based on size

Number of employees	Number of firms	Percentage share
4 to 50	20	35.1
51 to 100	15	26.3
101 to 250	11	19.3
251 to 500	7	12.3
501 to 1,300	4	7.0
Total	57	100.0

new or extension of production facilities, many cases included new buildings.

The focus of the study is on SMEs, as the burden of authorisations or licences on them is considered to be disproportionate. SMEs tend not to have experience with these processes nor do they have large budgets to cover licence applications. In SMEs it is the chief executive officer or the general manager who deals with the licence application. If the procedure is difficult and complicated and absorbs a lot of the manager’s time, this is a serious opportunity cost for the SME.

Businesses are interested on the rate of return on their investment, be it time to get a licence or the amount of “discounted cash-flow” they must bear before they can earn income from the extended production facility for which the licence is required. Some larger enterprises are also included in the investigation to facilitate learning from their experiences.

The 57 firms in the study range from 20 firms with between 4 and 50 employees and 4 firms with between 500 and 1,300 employees. Enterprises in industrial production sectors were the main subject of the investigation, but a small number of enterprises in the service sector were also included.

Interviews were conducted for each case study with the firms and the authorities involved. The goal was to understand the processes, to identify benchmarks and to discover best practices.

LEGAL FRAMEWORK

There is great variation in the legal frameworks between the participating countries, not only in laws and procedural rules, but also in the legal philosophy behind them. Industrial authorisation is mainly concerned with safety, in particular the safety of employees, of clients, of neighbours, of the public, and of the environment. These different public safety concerns are the basis for the different procedures.

Most of the authorisation processes follow these steps:

- decision to invest,

Table 2: Selection of enterprises based on sectors

	Number of firms	Percentage share
Chemicals, plastics	15	26.3
Wood	11	19.3
Food, beverages	10	17.5
Machinery	10	17.5
Metal	2	3.5
Pharmaceutics	1	1.8
Electrical wiring	2	3.5
Trading, retailing	3	5.3
Transport	2	3.5
Health, social care	1	1.8
Total	57	100.0

- informal contacts with authorities,
- formal submission of application for construction permit and for operation permit,
- issue of permit for construction,
- construction permit becomes legally binding,
- start of construction,
- issue of permit for operation of plant or industrial process,
- operation permit becomes legally binding,
- start of operation.

These milestones can be completed with intermediate and/or additional steps and the periods in between are not necessarily consecutive. In particular, when a number of permits are requested or a number of authorities are involved, it is common practice that the steps overlap one another. In general, while some processes concern the construction of buildings, others deal with production and environment impacts.

THE BENCHMARKING EXERCISE

INPUT AND OUTPUT BENCHMARKS

Confronted with an enormous variety of legal frameworks, national specialities and individual cases, the study identified four quantitative benchmarks:

- Number of licences: How many licences are required?
- Number of authorities: How many different authorities are directly involved?
- Number of experts: How many experts are needed to grant a licence?
- Time: How long does it take to get a licence?

In most cases two or three licences are needed, and two or three different authorities are directly involved in the procedure while a number of additional authorities are indirectly involved. Entrepreneurs judged the use of external

Table 3: Spread of input-benchmarks in cases investigated

	Number of licences required	Number of authorities involved	Number of external experts involved
Austria	2	1 to 2	0 to 3
Brussels	2 to 3	2 to 3	0 to 1
Flanders	2 to 4	2 to 4	0 to 1
Finland	1 to 2	1 to 2	0 to 1
Greece	2 to 8	3 to 9	1 to 3
Luxembourg	2 to 3	3 to 4	3 to 5
Portugal	3	2 to 3	0 to 1
Sweden	1 to 4	1 to 4	0 to 1
Victoria	2 to 6	1 to 4	0 to 1
Georgia	1 to 2	3	0 to 1
Quebec	2	2	0 to 3

consultants differently: while some of them highly recommend it, others avoided using external experts because of the expense.

In general, the number of licences required, authorities involved and external experts hired by the enterprises reflect the complexity of an investment project on the one hand and the problems of the desired location on the other hand. In 9 cases investigated more than 3 licences were required and in 7 cases more than 3 authorities were involved. In most of these and in quite a number of the other cases a reduction of these numbers might be feasible.

It is the time span elapsing between the first formal application by enterprises for a licence and the decision of the authorities concerned to grant or refuse a licence, which largely determines the costs incurred by both enterprises and authorities involved in the approval processes. Because of specific factors which made practically all of the cases in the project “special or particularly complex cases” the optimal time span of 15 to 50 working days is not achieved by many of the countries represented in the study.

Table 4 describes in most of the cases the time elapsed between the first formal application for licences and the reception of a permit to start construction activities. This time span depends mainly on the authorities, while all other periods in question depend relatively more on the efficiency of the enterprises. An exact presentation is not possible in all cases (e.g., in Sweden, where the time between application and permit for production is described); and in two cases (in Luxembourg) the procedure had not been formally completed when the study was carried out.

Extreme cases (less than 10 days, more than 2 years) may be too special for drawing general conclusions.

In simple cases¹ granting a licence within 15 to 50 working days may be a fair performance. Further pressure on

¹ A simple case is one which is in line with urban planning guidelines and has no special complexity such as objections from neighbours, or negative impact on the environment.

Table 4: Time elapsed from submission of file to granting of authorisation in each investment case investigated

	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6	Case 7
	Time span in days						
Austria	46	53	9	209	176	98	
Brussels	176	245	202	92	158		
Flanders	60	70	220	135			
Finland	14	40	19	30	12		
Greece	240	120	150	990			
Luxembourg	210	More than 240	570	45	More than 1,080		
Portugal	71	45	170	2	127		
Sweden	240	360	390	1,140	90	1,050	
Victoria	60	60	180	180	90	210	30
Georgia	85	5	60	15	3		
Quebec	20	30	14	15	14		

Cases do not cover the same industries for the different countries.

an “optimal time-span” may lead to a loss in the quality of procedure and decision.

Some of the individual benchmarks can be related to each other, e.g., using external experts or increasing the time spent on informal preliminaries may lead to higher costs, but on the other hand, may reduce the whole time required and, above all, improve the quality of the procedure and of the result.

Firms are interested in the value and stability of the licence, i.e., they prefer to get a better licence than to get a weaker one in a shorter time span. Speed is influenced by several components: workload, complexity of the problem, number of authorities involved and, occasionally, changing decisions by the enterprise.

For most enterprises an early predictability of the success of the authorisation process is more important than a quick termination of the formal procedure. Enterprises often start with construction or production activities at their own risk a long time before the respective permits are received.

Some qualifications should be noted:

- Starting point and end of period measured do not correspond exactly for all cases.
- The number of cases studied is not statistically significant.
- Almost each of the cases can be called a special case.
- In a number of cases the time elapsed for granting a permit does not only show the organisational standard of the authority, but also the level of project management skills within the enterprise.

Although we could not put our finger on a “normal case”, the investigation provides an illustration of the wide range of divergence between countries, even in cases without any special environmental difficulties. The scope for improvement is obvious.

Table 5: Duration of the licensing procedure

Days	Investment cases investigated	Percentage share
Less than 31	10	17.5
31 to 60	11	19.3
61 to 90	6	10.5
91 to 120	5	8.8
121 to 150	4	7.0
151 to 180	7	12.3
181 to 350	6	10.5
More than 350	8	14.0
Total	57	100.0

Based on Table 4 clearly something can be learned from Finland and Quebec. In these countries (and in some cases described in other countries) the fast turn-around in the granting of licences can be explained by a number of favourable factors: in the sphere of the authorities, the predictability of the outcome based on the informal contact with officials, the positive attitude of the officials, the culture of accessibility of the officials to the applicants for licences and the use of state-of-the-art communication and organisation techniques. In the sphere of the enterprises, clear decisions and a well-trained staff as well as making good use of informal preliminary contacts to authorities are important factors for efficient authorisation procedures. In addition, locating enterprises in special industrial zones could minimise problems in advance.

QUALITATIVE AND PROCESS BENCHMARKS

In summary the licensing study concluded that the qualitative and process benchmarks that counted most in the good practice cases were:

- the qualifications of the people involved,
- the organisational skills of both authorities and applicants for licences,
- the experience of the personnel involved in the procedure on both the industry's and the authorities' side, and most importantly,
- the attitude of the various stakeholders in communicating with each other.

The key *process benchmarks for the firms* are knowledge of and experience with regulations, good organisation (i.e., project management skills), personal contacts and good communication with all stakeholders. The stakeholders include the authorities, neighbours and the public.

The crucial *process benchmarks for the licensing authorities* are also linked to organisation (i.e., good co-ordination between departments), and communication with stakeholders. In addition, the key benchmarks for the authorities are internal time limits, service attitude and moti-

Best Practice Examples

Good and interesting practices were found in a number of countries and all the recommendations are based on these. Some examples are:

In Finland, the firms in the cases investigated had no problems with collecting information on the licensing procedures and they were in close contact with the officials (e.g., by mobile phones and e-mail) before and during the formal procedure.

The authorities in Brussels Capital, Finland, Austria, Victoria and Quebec have an entrepreneur-friendly attitude and provide the firms with informal personal counselling well before the formal application. In some of the Finnish cases studied, the authorities even called extra board meetings because of the urgency of the licensing procedure.

Application forms are available on the internet in Finland. (There are plans to provide application forms and other information on the internet shortly in Flanders, Sweden and Brussels.)

Neighbours are contacted routinely in Austria, Brussels, and Finland by the authorities and heard as part of the procedures, and so appeals against decisions are avoided at the outset.

Different permits are already processed simultaneously in Finland.

One-stop shops are established in Portugal, Brussels and Finland.

Most of the licensing procedures are already regionalised or localised in both Austria and Finland and all the information and services concerning the administrative procedures directed at enterprises are available in one place, reasonably close to the firms.

On-going monitoring of rules and regulations and the use of sunset clauses¹ in licensing legislation is normal practise in Victoria.

Project managers or project co-ordinators are given charge of a dossier from beginning to end by the Austrian licensing authorities.

Finally, the outcome of the licensing procedure is predictable at the outset in Brussels, Finland and the State of Georgia in the USA. In all the Finnish cases examined, the firms considered it self-evident that their permits would be granted.

¹ A sunset clause contains the date on which the legislation will expire unless renewed or extended. It facilitates the continual review of regulations.

vation, as well as qualified staff, equipment and information.

The interviews made it clear that the bottlenecks and delays arose from a lack of attention to the organisational and communication matters on the part of the firms and the authorities. Interestingly and perhaps surprisingly, the process benchmarks are the same for all the countries involved in the study.

These process benchmarks do not allow for any quantification, but they are the decisive components of the licensing processes. Increasing their quality will lead directly to shorter and better procedures.

RECOMMENDATIONS FOR IMPROVEMENT

Based on the benchmarks identified, a number of recommendations for improvement can be made with one important proviso: any improvement in the cost-benefit relationship which merely shifts the burden from the firm to the authority or vice versa is not recommended as it would not be an increase in overall efficiency. Indeed such cost-benefit based suggestions should only be considered, if such a shift means a genuine reduction of individual cost components.

AUTHORITIES TO PROVIDE TARGETED GENERAL INFORMATION

Every effort must be made to ensure that information from authorities to firms is provided in the most professional way. Authorities might even consider calling in external public relations experts to achieve this. The targeted communications campaign should explain to the public what the authorities' tasks are in relation to investment applications responsibilities (i.e., safeguarding the environment, public health and safety) and how they set about meeting them.

Authorities should facilitate the enterprises' access to general information at the various stages throughout the licensing approval procedures. This information needs to be of good quality and tailored for its audience. Voluminous and unsorted information create problems, especially for SMEs, if it is not designed and directed towards their particular needs. Plain language is essential.

POSITIVE PUBLIC RELATIONS BASED ON OPENNESS AND GOOD COMMUNICATION WITH FIRMS

The development of positive relations with the public, if they do not already exist, is recommended to enterprises,

above all to SMEs. Their public relations profile should aim to show a reliable and positive attitude towards safety, neighbours and the environment. In connection with any investment project, the enterprise should adopt an active communication strategy towards its neighbours at a very early stage. The information provided should be accurate and give as much detail as possible, without disclosing any confidential matters.

SPECIFIC INFORMATION AND INFORMAL PRELIMINARIES

APPLICATION FORMS

A professional and target-oriented information policy by the authorities would go a long way towards making sure that documents submitted are relevant and more complete right from the start, thus reducing the time lapse in the approval process.

CALL CENTRES

Authorities should use the facilities that are normal practice for other service organisations, such as well-organised telephone call centres with convenient opening hours. These could also be linked to the relevant civil servants' mobile phone, thus making sure that they will be available to deal with a prospective applicant's questions.

ELECTRONIC FILING AND CENTRAL REGISTER OF APPLICATIONS

Furthermore, the call centres should be linked to an electronic filing system, which would enable agents to give information relevant to the case in question. A central licensing information register with links to all the authorities involved is strongly recommended.

PERSONAL DIRECT CONTACTS

In addition to the services of call centres, it is of great importance that the authorities' technical and legal experts make themselves available in person to assist applicants (and "agents") when dealing with more complex matters. Their personal knowledge of the location and the subject matter as well as mutual direct contacts (personally and/or by phone, e-mail) should make it easier for the remaining procedural requirements to be completed expeditiously.

SPECIAL CONSULTATION MEETINGS OR DISCUSSION DAYS

Individual face-to-face counselling should be taken a step further. Special consultation days should be set aside by

authorities for informal discussions, particularly with representatives of SMEs. Firms can then obtain all the necessary legal and technical information for their project. The authorities should also benefit by providing a kind of pre-application screening procedure; such special meetings or counselling days are likely to reduce the time needed and stress experienced by authorities when finding incomplete applications or when having firms seeking appointments to check on their applications. The predictability of the procedure, in particular, receiving early feedback on the likely outcome of the licence application, can be of critical importance for the enterprise.

ON-SITE VISITS AND HEARINGS

Except for very simple and straightforward investments, the procedure should include a hearing open to people involved in the case. Neighbours should be invited to participate in the hearing but need not have access to any commercially sensitive material. A general face-to-face discussion and, if necessary, a personal visit to the site by the authority's legal and technical experts involved, can be expected to clear up any misunderstandings. It will also show where the real problems, if any, are and in many cases lead to appropriate solutions.

OPTIMAL ORGANISATIONAL STANDARDS

Within the limits set by their individual responsibilities for public safety, etc., authorities should develop an enlightened attitude and work methods aimed at minimising the burden of the regulatory processes on enterprises. Such a change would not only improve their internal structures and procedures greatly, but would also promote an understanding of the economic pressures on their clients (the entrepreneurs).

Organisational change must be preceded by close examination, discussion and understanding of internal procedures. Such a process per se, will lead to the discovery and elimination of inefficient aspects of existing procedures.

Once basic management terms such as competition, teamwork, result-orientation, cost-benefit accounts, project management, quality management, process controlling, simultaneous processes, etc., become familiar to the civil service and once their offices are supplied with state-of-the-art means of communication and staffed by people with appropriate qualifications, the result will be a simplification and a speeding-up of approval processes while at the same time maintaining high standards of quality and safety.

Firms are recommended, especially when the investment project is large or complex, to consider installing a project management system, including a project leader for all matters concerning the authorisation process in order to ensure proper co-ordination between all parties involved. Alternatively, it might be worthwhile to hire external experts to develop the project and to process applications.

HIGHLY QUALIFIED AND MOTIVATED PERSONNEL

Specialised management training for civil servants as well as suitable incentives for them to devise and implement measures for improving working methods within their own department are vital in order to improve authorisation processes.

MAXIMUM HANDLING TIMES

The setting of maximum handling times is also recommended – including some flexibility to allow for referrals and plan changes made by the applicant or required by the authority. The time limit should be set by government directives or statute, backed up by appropriate motivation-raising actions for the personnel. In cases where delays can be anticipated, the applicants should be warned of this possibility as soon as possible, and they should be kept informed of the progress of their formal application. Imposing sanctions in case of failing to meet a deadline by automatically granting the licence applied for (“silence is consent”) might also be taken into consideration.

ONE-STOP SHOP

One-stop shops serving as centres of information and as helpdesks in planning and execution are strongly recommended and compatible with the telephone call centres suggested above. They need not be part of the authority, but could be run by semi-official organisations with or without public funding or sponsoring.

One-stop shops serving as central points for submission of applications (similar to the start-up shops) are also strongly recommended and should be organised within an authority, preferably the one mostly concerned with issuing licences. These are compatible with special consultation days and the personal contacts as recommended. Ideally, they should be linked to an integrated approval system or master licence. For example, a comprehensive business activities approval package would be of considerable benefit to SMEs and would not require

substantial legal changes. Where several licences are required, special care should be taken to avoid contradictory requirements and to ensure that the problems affecting one process are made known to all the other authorities involved. A one-stop shop of the kind recommended should make it possible for the companies to submit all their documents just once. Copies could then be generated electronically as needed for the different licensing processes.

ISSUING THE LICENCES OR PERMITS

The final decision of the authority – to grant or to refuse a licence or listing any conditions on which the licence is granted – should be issued in writing by registered post and should reach all those concerned within a given deadline. In most cases these licences are not cases of a simple “yes” or “no” decision, but rather permits granted “under certain conditions”. It is those conditions that are of decisive importance and which must be communicated clearly to the firms.

The firms and other parties involved should be given the opportunity to raise objections against any delay or conditions imposed on them, within the legal period.

APPEAL PROVISION

To ensure confidence in the regulatory system, it is advisable to provide a speedy and low-cost appeal system which will allow entrepreneurs who are dissatisfied with the decisions of authorities to have such decisions reviewed by an independent body consisting of people well versed in the building industry, in particular.

The way in which a decision can be appealed should be communicated clearly to the firms and others involved from the outset.

ONGOING MONITORING OF LEGISLATION

An ongoing check and monitoring of the existing legal framework with a view towards deciding whether the aims of the regulations and approval processes can be achieved at an optimal cost-benefit relation is recommended. Laws and regulations tend to remain on the statute book, even when the circumstances for which they were made no longer apply.

DECENTRALISATION OF DECISIONS OR CONTRACTING-OUT

It should be the aim of an efficient administration that the central bodies determine the general guidelines and deal

with particularly complicated and controversial cases or cases concerning a larger area, leaving the majority of the processes to be carried out at regional or lower local levels. For some procedures, outsourcing or contracting-out might be the answer.

A system of checks and balances is needed to safeguard the public and economic interest. A total decentralisation of responsibilities carries the danger of arbitrariness and favouritism. A highly decentralised system also requires a much higher degree of co-ordination to ensure that the law is applied consistently.

One or more parts of the authorisation process could be outsourced. Semi-public or even private organisations could act as independent “certifiers” or inspectors, and authorities need only control those “certifying agents” by carrying out spot checks. Inadequate or improper performance should carry heavy penalties, such as taking the registered certifier off the list at once.

ESTABLISHING INDUSTRIAL ZONES

Legal regulations for facility approval are to a great extent aimed at the protection of neighbours and the environment. Setting up special industrial zones in suitable areas, at a suitable distance from residential districts, recreational areas and other sensitive areas, goes a long way towards avoiding troubles and therefore speeds up approval procedures. The creation of more such industrial zones is recommended.

GENERAL CONCLUSIONS

The crucial point in all authorisation processes is the attitude of the actors involved. Attitude is the key point in their dealings with each other and in handling the licensing processes. The quality of communication between the parties is also decisive. Legal and administrative framework conditions are of minor importance for improving the licensing procedures.

Improvements in information exchange, communication and in the mutual understanding between firms and licensing authorities are recommended. These improvements can be achieved at moderate cost, without substantial changes in the law. The conclusion is that the provision of professionally designed information about procedures and access to the authorities is as important as streamlining the procedures themselves. Improvements in internal structures, technical standards and in the motivation of personnel on the side of the authorities and the enterprises are also recommended and are achievable.

Licensing, Permits and Authorisations for Industry – Summary

This project focuses on benchmarking the process of authorising industrial investments in the EU, with special emphasis on the burden on SMEs. The aim is to identify good practice and to develop recommendations on how to implement these so that they can become the normal practice in the EU countries.

57 licensing procedures in eleven countries and regions were examined. 75 percent of the enterprises investigated had less than 250 employees and 84 percent of the investments studied amounted to less than EUR 10 million. Most firms studied had very little experience in applying for licences.

The benchmarking study found that major changes to the legal framework are not necessary to improve the licensing systems. The most important elements for firms are the time taken and the amount of work required to apply for and receive a licence and the early predictability of the result were the crucial quantitative benchmarks for the firms. The key means to this end for both the firms and the authorities are the process benchmarks:

- the “attitude” of the various stakeholders in communicating with each other;
- the qualifications and experience of the people involved;
- the organisational and project management skills.

Provide targeted information

Licensing authorities should take the communications task seriously and aim to provide targeted information on the licensing procedure. An attitude of openness and good communications should be fostered between the authorities and the general public as well as with the applicants for licences.

Facilitate informal preliminary queries to increase predictability of outcome

- Provide clear application forms on the internet and elsewhere.
- Use electronic filing and a central register of applications.
- Facilitate contacts with licensing personnel.
- Arrange special consultation meetings with licensing authority specialists.

Optimise organisational matters to minimise time-span for procedures

- Authorities should use highly qualified and motivated personnel who are aware of the impact of their decisions on firms.
- Authorities should set down maximum handling times for the processing of applications.
- One-stop shops should be established where information can be obtained and applications made for various licences.
- On-site hearings should be used. These serve to increase understanding of the planned development on all sides and to identify and resolve problems at an early stage.
- Administrations should consider the decentralisation and delegation (e.g., to regional or local licensing authorities) as well as the contracting-out of licensing services.
- On-going monitoring of licensing rules, regulations and legislation should be instituted. Existing rules and procedures might become obsolete and should then be removed.