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European business statistics

Impact Assessment (SWD (2017) 98, SWD (2017) 99 (summary)) of a Commission proposal for a regulation of the European Parliament and of the Council on European business statistics amending Regulation (EC) No 184/2005 and repealing 10 legal acts in the field of business statistics (COM (2017) 114)

Background

This note seeks to provide an initial analysis of the strengths and weaknesses of the European Commission's [Impact Assessment](#) (IA) accompanying the above proposal submitted on 6 March 2017 and referred to Parliament's Committee on Industry, Research, and Energy (ITRE).

The [proposal](#) aims to reduce the administrative burden for business, in particular SMEs, by eliminating the fragmentation of the European business statistics legislation and repealing 10 different legal acts in this field. This concerns information on the producer prices, turnover, employment, production output, as well as trade, investment flows and prices.

The proposal is also considered by the Commission as a priority area in the context of the modernisation of EU law. According to the Commission, the harmonisation of business statistics at the European level is needed in order to implement wider priorities such as the 10 priorities of the Juncker Commission. In this regard, the Commission proposes to establish a common legal framework for the development, production, and dissemination of European business statistics.¹

Problem definition

The IA indicates that the main problem drivers are the reduced relevance and responsiveness of European business statistics as well as the legal fragmentation (IA, p. 11). The current business statistics system, which focuses on the manufacturing sector of the economy, lacks responsiveness and needs to extend data collection to be able to measure recent economic developments (e.g. globalisation, e-commerce, ICT usage). Also, given that European business statistics are currently regulated by ten legislative acts 'which are not consistent in terms of data requirements, concepts, definitions, methods and statistical processes' (IA, p. 12), the system lacks agility to answer user needs. The IA explains that there are three main categories of stakeholders affected by the initiative: data users (anyone using the statistical data), data compilers (the authorities responsible for the collection and compilation of business statistics – National Statistical Authorities (NSA) and Eurostat) – and data providers (businesses which respond to surveys).

The IA explains the aspects of the problem, essentially caused by the 'existing incoherent and scattered legal bases' (IA, p. 15):

¹ For analysis of the proposal, see Delivorias A., [European business statistics](#), EPRS briefing, May 2017

- ‘Lack of consistency’ (IA, pp. 12-14): the current system lacks methodological consistency across business statistics domains and does not sufficiently cover information needed by users (e.g. statistics of global activities of businesses);
- ‘Lack of flexibility’ (IA, pp. 14-15): changes to the requirements (e.g. to current data collections, technicalities or data breakdowns) or methodological innovations are ‘very time-consuming to introduce’ (IA, p. 15);
- ‘Limited possibilities for applying innovative methods and sources’ (IA, p. 15): the current legislation is not sufficiently accommodating the increased need to use innovative data collection methods (e.g. integrated business processes,² data linking);
- ‘Sub-optimal quality of statistical data’ (IA, p. 16): the different business statistics domains lack coherence and comparability, causing quality issues;³
- ‘High burden on data providers’ (IA, p. 16): the current system ‘creates redundancies and duplication of work’, and does not allow alignment of surveys due to ‘inconsistencies in the legal requirements for data production’.

As the last aspect of the problem (high burden on data providers), is not extensively detailed in the IA, it is difficult for the reader to fully understand the operational aspects of current business statistics collection, and the extent of the current burden. It is not clear which sets of data are collected today in the different Member States and how this is done. The causal links between problem drivers, problems and their consequences, however, are clear and usefully summarised in a table (IA, p. 17). As regards the scale of the problem, the IA indicates that the current quality of business statistics can ‘lead to misleading policy input’ (IA, p. 17) and has a negative impact on the work of the vast majority of data users. The IA presents indicators regarding the current estimated burden on data providers (€689 million annually – IA, p. 18) and on data compilers (€290 million – IA, p. 58).

The IA mentions that without intervention, the problem will persist (IA, p. 18), with risks of increasing data inconsistency, loss of statistical relevance, increased costs and burden for data providers, and increasing inflexibility of the system (IA, p. 19).

Objectives of the legislative proposal

The IA defines the *general* objective of the proposal as being to ‘streamline and rationalise the European business statistics in order to better respond to the changing user needs; simplify the respective European legislation; modernise and increase the efficiency of the production and dissemination of high quality European business statistics to make it fit for the future, while at the same time adhering to impartiality, reliability, objectivity, scientific independence, cost-effectiveness and statistical confidentiality’ (IA, p. 22).

Five *specific* objectives are derived from the general ones, and mirror the aspects of the problem stated above:

- ‘Improve consistency;
- Enhance flexibility;
- Facilitate the use of innovative methods and sources;
- Ensure quality of data production;
- Reduce unnecessary burden on data providers’ (IA, p. 23).

² ‘Integrated processes include, for example, multi-source/cross domain data integration, integrated management of registers and statistical frames, creation/maintenance of common infrastructure, common standards and shared tools for data processing, exchange and dissemination and standardised quality assessment’ (IA, p. 15).

³ As an example the IA mentions that ‘for the reference year 2012, the International Trade in Goods Statistics show Intra-EU asymmetries between (-) 38,9 % and (+) 9,7 % at Member State level for imports’ (IA, p. 16).

The IA report lists 13 *operational* objectives which include the following (among others): to enhance the role of European business registers in creating a more inter-connected European Network of Business Registers (ENBR); to implement a unique identifier for the units recorded in the ENBR; to implement or reduce the existing inconsistencies in certain definitions of variables across statistical domains. The operational objectives are defined according to the better regulation guidelines as they provide a set of quantifiable, as well as qualitative, indicators (IA, p. 49).

Range of options considered

Table 1: Policy options

Options	Measures
Option A: baseline scenario (IA, p. 24)	No EU policy change
Option B: 'Implement legislative actions limited to certain business statistics domains, including alternative options for the modernisation of Intrastat' (IA, p. 24)	The 10 current legal acts remain; changes to the current system (inclusion of new data requirements, simplification of current data requirements, modernisation of the statistical production) are implemented through amendments to the 10 legislative acts.
	Modernisation of Intrastat: <ul style="list-style-type: none"> - Sub-option B1: SIMSTAT ('Single Market Statistics') would facilitate the exchange of micro-data (at enterprise level) between Member States. - Sub-option B2: Revised Intrastat, whereby the current Intrastat system will continue in a simplified form so that less data will be collected from the enterprises. - Sub-option B3: Single flow. Member States will need to compile and transmit to Eurostat the statistics only on intra-EU exports. - Sub-option B4: Combination of SIMSTAT and Revised Intrastat.
Option C: 'Modernisation of business statistics in a single framework (FRIBS) using a mix of measures, including alternative options for the modernisation of Intrastat' (IA, pp. 24-26)	The 10 current acts are repealed and replaced by a new regulation: <ul style="list-style-type: none"> - All infrastructural elements are part of a framework regulation - Non essential elements are supplemented or amended by delegated acts - Technical provisions will be part of implementing acts.
	Modernisation of Intrastat (similar to option B): <ul style="list-style-type: none"> - Sub-option C1: SIMSTAT - exchange of micro data - Sub-option C2: Revised Intrastat - Sub-option C3: Single flow - Sub-options C4: Combination of SIMSTAT and Revised Intrastat.

Source: IA, authors

The Commission's preferred option is option C (Modernisation of business statistics in a single framework) including sub-option C4 (Combination of SIMSTAT and Revised Intrastat) to modernise Intrastat (IA, p. 26). Option C foresees that the framework regulation, which would repeal the ten current legal acts related to business statistics, would include infrastructural elements such as business registers, basic data topics and their periodicity, data sources, exchange of micro-data for Intrastat, data transmission, data quality, data

confidentiality (IA, p. 25). The IA adds that non-essential elements⁴ would be supplemented or amended by delegated acts, and technical provisions⁵ would be covered by implementing acts.

Regarding the modernisation of Intrastat, proposed for both options B and C, four sub-options are envisaged. The IA indicates that under sub-option C1 (SIMSTAT), ‘each Member State collects data on intra-EU exports and makes it available to other Member States via a ‘hub’, which can serve to verify the intra-EU imports of the partner Member States’ (IA, p. 25). The IA adds that the quality requirement on the collected trade data is 97 %, as it is currently, and that the VAT number of the importing company, as well as the country of origin of goods, will be provided. Sub-option C2 (Revised Intrastat) foresees the continuation of intra-EU import and export data transmission from the Member States to Eurostat statistics, but notes that ‘less data will be collected [...] depending on the final parameters of this option’ (IA, p. 26). The IA adds that ‘the quality requirements will be defined either through the amount of collected data or through the statistical output’. The IA does not appear to indicate who will define the ‘final parameters’ and when. Sub-option C3 (Single flow), which envisages that Member States provide Eurostat with statistics related to intra-EU exports only, was not retained, as the consultation on Intrastat revealed it would cause quality issues (IA, p. 26).

The IA indicates that three options were discarded: ‘Better enforcement and implementation of existing legislation (the Statistical Unit Regulation - “Council Regulation 696/93”)’ (IA, p. 27), ‘Integration of business statistics in a single framework (FRIBS) using a mix of measures and including one option (SIMSTAT) for the modernisation of Intrastat’ (IA, pp. 27-28), and ‘Implementation of a non-legislative strategy for the rationalisation of the statistical production of business statistics and the reduction of the burden on businesses’ (IA, pp. 28-29). The IA report does not explain why these three options were discarded ‘as not suitable for further assessment’ (IA, p. 26).

Overall, the range of options appears to be rather limited with only two options – B and C – presented in addition to the baseline. According to the Commission, option C, the preferred option in the IA, is considered ‘the most advanced and forward-looking one as it modernises the European business statistics system (IA, p.43).’ Given that the central element of the preferred option – namely, the single framework (FRIBS) approach for modernisation of the current regulation – was originally envisaged in the roadmap published in January 2013 (which was itself later revised and updated in the form of an inception impact assessment in January 2016 (IA, p. 7)), and that substantial investments (€37 million) have already been made by the Commission to that end (IA, p. 5), it is reasonable to ask how these factors might have affected the deliberation on the preferred policy measures.

Scope of the Impact Assessment

The IA assesses the options against their impacts on stakeholders as well as their effectiveness for fulfilling the objectives. The analysis of impacts does not identify environmental or social impacts and focuses primarily on economic impacts on data collectors and data providers (e.g. economic burden, improvement of production processes, increasing innovativeness). According to the Commission, the baseline scenario will not eliminate inefficiency and will not be able to ease the burden for data providers (estimated at €689 annually). Under option B, all categories of stakeholders are stated to be significantly impacted (IA, p. 31). On the positive side, the Commission believes, this option will open up opportunities for data compilers to improve the production process and improve quality of statistical data. At the same time, the report states that this option does not help resolve the recurring problem of fragmentation of the European system of business statistics (IA, p. 31). Also

⁴ For example, detailed topics for all business statistics and for business registers, subjects and characteristics of the dynamic statistics (information and communication technologies statistics, Community innovation statistics, global value chains statistics) (IA, p. 25).

⁵ For example, detailed data requirement (in terms of breakdowns, statistical population, etc.), data quality report, technical provisions for the exchange of data and micro-data (IA, p. 25).

under option B, the new data requirements will increase the burden on the data providers which would need to be offset by simplifications. Option C, the preferred option, is stated to have the highest potential for reducing the burden on enterprises and therefore the biggest positive economic impact. What remains unclear, however, is the comparability of data, after the implementation of Option C, with the statistical data collected under the current regulation. It would seem reasonable to expect that the impacts of potential incomparability of data might have been addressed in the IA in more detail.

Subsidiarity / proportionality

The legal basis for the proposal is Article 338 of the Treaty on the Functioning of the European Union (TFEU) which stipulates that the EU shall adopt measures for the production of statistics where necessary for the performance of the activities of the Union. The Commission explains that in order for EU-level statistical information to become available, 'a harmonised methodology and the definition of a common output is indispensable'. According to the explanatory memorandum, only the Commission can coordinate this harmonisation process. The memorandum also mentions Article 5 of the Treaty on European Union (TEU) as legal justification for the proposed EU-level measures.

As regards proportionality, the proposed instrument of a regulation is considered the most appropriate choice by the Commission because 'it lays down the same law throughout the Union, leaving the Member States with no leeway to apply it incompletely or selectively' (explanatory memorandum, p. 4). The Commission lists the following three additional justifications for the choice of instrument: it ensures the comparability of data throughout the EU, it is directly applicable and does not need to be transposed into national law, and it is line with other European statistical basic acts adopted since 1997. The Commission explains that options were analysed against the principle of proportionality with the help of cost-benefit analysis.

The deadline for the national parliaments to issue reasoned opinions on this proposal was 10 May 2017. No reasoned opinions were issued.

Budgetary or public finance implications

No budgetary implications are envisaged for the 2019-2020 period as funding had been already allocated (€19.5 million) under the existing European Statistical Programme. The Commission explains that the financial implications of the proposal are 'of unlimited duration with a start-up period of 3 years from 2019 to 2021' (explanatory memorandum, p. 9).

SME test / Competitiveness

The impact assessment considers both positive and negative impacts on SMEs. These impacts depend largely on the balance between the burdens stemming from additional data requirements and the benefits of simplification envisaged by the proposal. As far as the former are concerned, SMEs will need to report on the services that were not previously covered. The scope of this new burden is not clearly defined in the IA, the report simply saying that data compilers 'are encouraged to minimise the use of surveys' in order to limit the burden on SMEs (IA, p. 40). What makes it difficult to estimate the costs and benefits for SMEs is that reporting obligations do not depend on the size of a company but rather on trade volume. The IA explains that the smallest exports will be exempted from reporting and that the majority of those could be expected to be SMEs. However, the Commission admits that 'there might be individual SMEs who may not benefit from burden reductions and may even face more burden' (IA, p. 41). Overall, the IA does not provide a particularly detailed analysis of impacts on SMEs. Given that the burden is likely and the balance between the costs and benefits is quite intricate and depends on many factors, it would seem reasonable to expect a fuller account of impacts on SMEs with country-specific or trade sector-specific data and examples. The same can be said about competitiveness which does not appear to be addressed in the IA except for a few general remarks.

Simplification and other regulatory implications

The Commission explains that, logically, a certain degree of simplification is expected after 10 regulations are streamlined into one single regulatory framework. This should reduce the burden on businesses and SMEs, which is one of the specific objectives of this initiative. ‘Significant’ and ‘substantial’ burden reductions (as compared to the business-as-usual scenario) are envisaged under both options B and C. At the same time, the Commission admits that the exchange of micro-data (proposed under both options) might have negative implications for data compilers, such as the need to handle more complex data. This challenge is supposed to be made easier to overcome with the help of the enhancement of the role of business registers (including unique ID), as well as the reduction in inconsistencies of definitions of variables. The Commission considers this challenge a ‘slightly negative impact’ (IA, p. 42).

Quality of data, research and analysis

The Commission explains that the impact assessment for the proposal is based on a cost-benefit analysis for which both qualitative and quantitative data was collected. As regards the qualitative data, the IA report simply states that it was collected during the open and targeted consultations. Given that the responses of the data providers were too few to be considered representative (see the section on stakeholder consultation below), one might reasonably wonder whether such limited data could have provided a sufficiently solid basis for the qualitative assessment.

As regards the quantitative side of the analysis, the IA explains that the current burden on public authorities (National Statistical Authorities), of €290 million, was estimated using the ‘individual contributions of NSAs from the consultations’ (IA, p. 58). However, the methodology used to calculate these estimations is not indicated in the IA. A cost model was used to estimate the impact of the sub-options on NSAs for a period of ten years – 2019-2029 (IA, annex IV). For each sub-option, the model presents three types of data (IA, pp. 69-71):

- The ‘EU-total annual cost increase’, which are the operating costs increase for NSAs at EU level (including a one-off investment on the first year).
- The ‘EU-total cost decrease’, which represent savings for NSAs at EU level.
- A ‘net present value’ amount, which seems to be the balance of the sum of these flows over ten years in net present value. Although the methodology used to calculate the evolution of ‘EU-annual cost increase’ is explained, the assumptions behind the calculation of ‘EU-total cost decrease’ are not clear. For example, it is not clear why the ‘EU-total cost decrease’ is the same as the sub-options of B (-€120.21 million for B1, B2, B3) and C (-€234.76 million for C1, C2, C3). Therefore the reader cannot assess the validity of the model results, presented as net cost increase for sub-options B1, B2, B3 and C1, and net cost savings for sub-options C2 and C3.

Table 2: cost model results per sub-option after 10 years

In million EUR	B1	B2	B3	C1	C2	C3
‘EU-annual cost increase’ (1)	229.95	209.15	144.25	223.68	202.97	140.28
EU-total cost decrease (2)	-120.21	-120.21	-120.21	-234.76	-234.76	-234.76
Results (net present value)	102.71	83.08	26.69	9.26	-10.29	-62

Source: IA

The text box detailing the model indicates that ‘all amounts are presented in present values, with a discount rate of 4 %’ (IA, pp. 67 and 68) but on the table presenting the model results (IA, pp. 69-71), it seems that only six amounts are presented in net present value.

Stakeholder consultation

Since 2014, the Commission organised three rounds of specific stakeholder consultations, in addition to numerous other meetings with stakeholders.⁶ The information on these consultations is provided in Annex 2. The IA presents the results of the consultations according to the group of stakeholders (data compilers, data providers, and data users). As regards data compilers (National Statistical Authorities (NSAs) and National Statistical Institutes (NSIs)), the report states that 55 % of NSIs preferred option C and only 10 % and 7 % option B and A respectively. It is not clear whether the stakeholders' preference included all of the sub-options of option C. As far as the data providers (effectively, business including SMEs) are concerned, the report states that only a limited number of replies were received during the first two rounds of public consultations. These responses were not considered representative and were not analysed further. It is regrettable that the Commission did not go further to consult what is a very essential group of stakeholders. Lastly, regarding data users, the report states that around 50 % of the data users (represented by a mix of EU institutions, national accounts departments, business associations, individual businesses (52 respondents in total)), replied that the FRIBS additional requirements are 'crucial or highly important' (IA, p. 58). The report does not specify any preference as far as the options are concerned. The added value of establishing a specific group of stakeholders, such as data users, is also not apparent, since it consists of representatives of the other two groups and virtually anyone can be considered a data user.

Monitoring and evaluation

The impact assessment proposes that the existing mechanisms for evaluation of the current legislative frameworks be used once the proposal comes into force. The report identifies seven key performance indicators (KPIs) designed to measure the implementation and achievement of the operational objectives. The KPIs include quantitative targets, e.g. 90 % degree (within first 10 years of the proposed legislation) of coherence between the national business registers and the Euro Group register. This would show the achievement of the objective of 'enhancing role of Euro Group registers and creating a more inter-connected European Network of Business Registers, percentage of changes to data requirements that need to be introduced by EP and Council regulation in total changes to data requirements (less than 10 % over 10 years). However, not all KPIs are matched with tangible and quantifiable targets, which makes them somewhat less useful as a benchmark for evaluation.

Commission Regulatory Scrutiny Board

The Regulatory Scrutiny Board issued a positive [opinion](#) on the submitted draft of the impact assessment report on 8 June 2016. The Board indicated that the report would benefit from revision of several important elements, most importantly the administrative burdens on SMEs and the range and analysis of options.

The IA explains that the report was revised according to the recommendations of the RSB and describes in detail the revisions made to the adopted version of the impact assessment (IA, pp. 52-53). However, it appears that not all of the RSB recommendations were fully implemented in the report. Although the IA presents figures related to possible burden reduction on data providers, including SMEs (IA, p. 61), it does not provide substantive analysis which would help the reader fully understand these implications. The RSB criticism that the range of options is incomplete could still be applied to the presentation of options in the final version of the impact assessment in the sense that only two options presented seem to be realistic. While these two options do represent a choice, formally speaking, the scope for choosing a preferred option seems rather minimal. Lastly, although the explanatory memorandum of the proposal states that the analysis of budgetary implications for individual Member States was strengthened by providing a number of examples 'pertaining to foreseen simplifications for smaller countries', this is not reflected in the main body of the report.

⁶ The IA states that all public consultations were open. The dates of the three rounds can be found in the explanatory memorandum of the proposal (p. 5). The rounds of consultations mentioned in the IA lasted for about 12 weeks on at least two occasions. However, it is not clear from the report whether the stakeholders were asked about the options during each round of public consultations.

Coherence between the Commission's legislative proposal and IA

The proposal largely follows the recommendations of the IA, in that it considers option C – the preferred option of the IA – as the one having ‘the highest potential for reducing the burden on enterprises’ (explanatory memorandum, p. 7). Still, it is not clear whether all of the sub-options of this option are reflected in the proposal. For example, the sub option C2 (the Revised Intrastat) is not explicitly mentioned in the proposal.

Conclusions

The IA report describes adequately the problems faced by data users that stem from the fragmentation of the business statistics regulation in the EU. It also argues convincingly that various improvements can be achieved if the current system is modernised. The impact assessment would have been stronger had its analysis of impacts contained more quantitative evidence especially with regard to the impacts on data providers. Similarly, the models used to identify and assess the impacts on data providers could have been more detailed. The overall discussion is rather lacking in specific examples which could have better illustrated the balance between the burdens and benefits, the IA report tending to focus more on the latter.

This note, prepared by the Ex-Ante Impact Assessment Unit for the European Parliament's Committee on Industry, Research, and Energy (ITRE), analyses whether the principal criteria laid down in the Commission's own Better Regulation Guidelines, as well as additional factors identified by the Parliament in its Impact Assessment Handbook, appear to be met by the IA. It does not attempt to deal with the substance of the proposal. It is drafted for informational and background purposes to assist the relevant parliamentary committee(s) and Members more widely in their work.

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