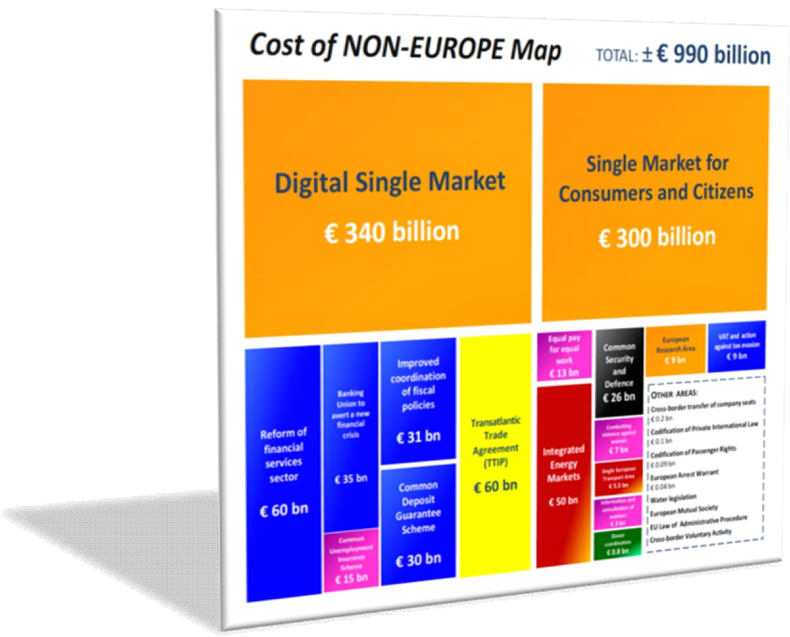
Mapping the Cost of Non-Europe, 2014-19



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Mapping the Cost of Non-Europe

This paper embodies work-in-progress on a long-term project being undertaken by the European Parliament's European Added Value Unit, in conjunction with the office of the Secretary-General and the Economic Governance Support Unit, in order to try to identify and analyse the 'cost of non-Europe' in certain policy fields. It is intended as a contribution to the growing discussion about the European Union's policy priorities for the coming five-year institutional cycle, from 2014 to 2019. (The paper was first published in March 2014 and has now been updated to take account of further research undertaken in the second quarter of 2014).

The concept of the cost of non-Europe dates from the 1980s, when the Albert-Ball and Cecchini Reports of 1983 and 1988 - which respectively identified and then sought to quantify the significant potential economic benefits from the completion of a single market in Europe - first brought the idea into mainstream political use. The central notion is that the absence of common action at European level may mean that, in a specific sector, there is an efficiency loss to the overall economy and/or that a collective public good that might otherwise exist is not being realised. The concept is closely related to that of 'European added value', in that the latter attempts to identify economic benefit of undertaking - and former, the collective economic cost of not undertaking - policy action at European level in a particular field. The potential economic benefits of action may be measured in terms of additional gross domestic product (GDP) generated or savings in public or other expenditure, through a more efficient allocation of resources in the economy. An example of additional GDP would be the potential multiplier effect over time of widening and deepening the digital single market on a continental scale; an example of greater efficiency in public expenditure would be the better coordination of national and European development or defence policies, where there are considerable duplications or dysfunctionalities at present.

The analysis in this paper builds in large part on a series of more detailed pieces of work undertaken for individual European parliamentary committees by the European Added Value Unit over the last two years, in the form of *European Added Value Assessments* (on legislative initiatives proposed by the Parliament) and *Cost of Non-Europe Reports* in specific policy sectors. It also draws on detailed lists of other major requests made by the Parliament in its various legislative and own-initiative reports in recent years.

The Cost of Non-Europe Map featured on the cover of this paper and on page 8 of the text is an attempt to provide a graphic representation of the efficiency gains which could result if some of the various requests made by the European Parliament to date or other policies in the pipeline were to be put fully into effect. Each of the individual segments is then 'unpacked' in a more detailed analysis which follows, with references to the relevant studies, internal or external, from which the basic calculation derives. Obviously, neither the map nor the detailed analysis behind it purport to make exact predictions - as all predictions depend on assumptions that must be subject to continuous refinement - but they can and do illustrate the potential order of magnitude of possible efficiency gains from common action in these fields.

By definition, the potential gains to the European economy identified in this paper could only be realised over time. If the policies listed were to be pursued effectively, the economic benefit would build up annually to a point where, on present calculations, some 990 billion euro - or currently about 7.5 per cent of EU GDP - might be added to the European economy.

It is worth noting that the analysis in this paper dovetails with wider research being undertaken in the academic and think-tank community, both in respect of particular EU policies and for the benefits of EU membership itself. For example, a study released earlier this spring by Campos, Coricelli and Moretti,[1] which attracted a good deal of public attention, sought to quantify the economic benefits of EU membership for 19 member states which acceded to the Union in the successive enlargements from 1973 to 2004. Although the size and nature of the economic gain might vary by member state, and derive predominantly from different factors in each case - whether intra-EU trade liberalisation (for the ten member states joining in 2004), the single market (for United Kingdom), the single currency (for Ireland) or labour productivity (for Finland, Sweden and Austria) - the overall conclusion was that national incomes are now on average 12 per cent higher in those countries than they would otherwise be, as a result of membership and its associated economic integration. Their study also found that such gains are generally permanent and increase over time.

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July 2014

[1] Nauro Campos, Fabrizio Coricelli and Luigi Moretti, *Economic Growth and Political Integration: Estimating the Benefits from Membership in the European Union using the Synthetic Counterfactuals Method*, April 2014, IZA Discussion Paper No 8162, May 2014.

Contents

Introduction

The process of Better Law-Making within the European Union encompasses several stages: from agenda-setting, through advance consultation, to legislative action, and then on to implementation, followed by ex-post evaluation or scrutiny. There is a legislative or policy cycle involving these and other components. Ideally, that cycle should link up, so that the outcome and effects of existing legislation and policy are properly evaluated and taken into account in defining new initiatives.

Traditionally, the agenda-setting process at EU level was predominantly the preserve of the European Commission. Nowadays, however, the Commission is no longer the sole actor in this field. Article 17 of the Treaty on the European Union (TEU), introduced by the Lisbon Treaty, states that the Commission, as well as 'taking appropriate initiatives to promote the general interest of the Union, will initiate the Union's annual and multiannual programming with a view to achieving inter-institutional agreements'. This is a process which, by definition, involves the Commission, Council and Parliament jointly. The Treaty also provides specifically for the Parliament to enjoy the right to propose legislative initiatives to the Commission - to 'request the Commission to submit any appropriate proposal on matters on which it considers that a Union act is required for the purpose of implementing the Treaties' (Article 225 TFEU, also introduced by Lisbon).

The Parliament in turn takes its right and responsibility to contribute to the agenda-setting process increasingly seriously - both through the passage of traditional 'own-initiative reports', expressing general policy preferences, and now through a growing number of 'legislative initiative reports' that make specific requests for new legislative proposals of the Commission. In doing so, the Parliament is alert to the principle of subsidiarity, whereby Union action should be considered when objectives 'cannot be sufficiently achieved by the Member States … but can rather, by reason of the scale or effects of the proposed action, be better achieved at Union level' (Article 5 TEU).

As part of a general move to strengthen its capacity for impact assessment and the analysis of potential added value, the Parliament has recently begun to subject its various initiatives to a more systematic analysis of the likely economic or other benefits of actions that it may be proposing. This paper takes this process a stage further, in that it brings together recent or on-going work in relation to ideas in 25 areas of policy, usually in fields where there have been own-initiative or legislative initiative reports that have recently been passed by the Parliament by large majorities in plenary session. Taken as a whole, the work set out here could helpfully contribute to the process of evolving a broadly-based policy agenda for the coming institutional cycle (2014 to 2019) in the European Union.

It is particularly appropriate that the European Parliament should undertake work in this field, because the very concept of 'non-Europe' was in fact first developed in the Parliament over three decades ago, through a report which it commissioned from two leading economists, Michel Albert and James Ball. Like now, the early 1980s were a period of economic crisis and pessimism about the future. The Parliament's own Special Committee on European Economic Recovery explored ways and means of breaking out of this cycle, inviting Mr Albert and Professor Ball to think creatively about new economic scenarios.

The Albert-Ball Report, presented in August 1983, makes surprisingly fresh reading today. It foreshadows the challenges and choices that the Union faces now, albeit in the context of its own time. It argues that 'the main obstacle to the economic growth of European countries is what we must call "Non-Europe" ... declining on the slippery slope of non-growth', and describes how what was meant to be a common market was becoming an un-common one. It painted a picture of a European economy in which the future had been sacrificed to the present, by giving priority to short-term and national considerations, over longer term and collective goals. The Albert-Ball analysis suggested that the 'absence of a genuine common market ... and all the other obstacles to trade are equivalent to a financial surcharge which would certainly represent approximately one week's work per year on average for every family in Europe' or around 800 ECU per year in the money of that time. In other words, every worker in Europe worked 'one week every year to pay for non-Europe, with an additional cost of the order of two per cent of Gross National Product (GNP)'. To take advantage of the potential multiplier effect of common action, the recovery would need to be 'Community-wide or there would be none'.

The concept of the 'cost of non-Europe´ was the leitmotif of the landmark Cecchini Report in April 1988, which helped provide a powerful economic rationale for the programme to complete of the single market by 1992. It estimated the likely gain to Community-wide GDP from that programme to be in the order of 4.5 per cent (and potentially up to 6.5 per cent). The Cecchini analysis helped drive forward efforts to complete the single market, which have continued since then, but the central idea behind it seems gradually to have disappeared from debate, as the positive effects of a deeper and wider market have come to be taken for granted. In recent years, public discussion has more often centred on the 'cost of Europe' than on the continuing GDP gains possible from appropriate policies at European level.

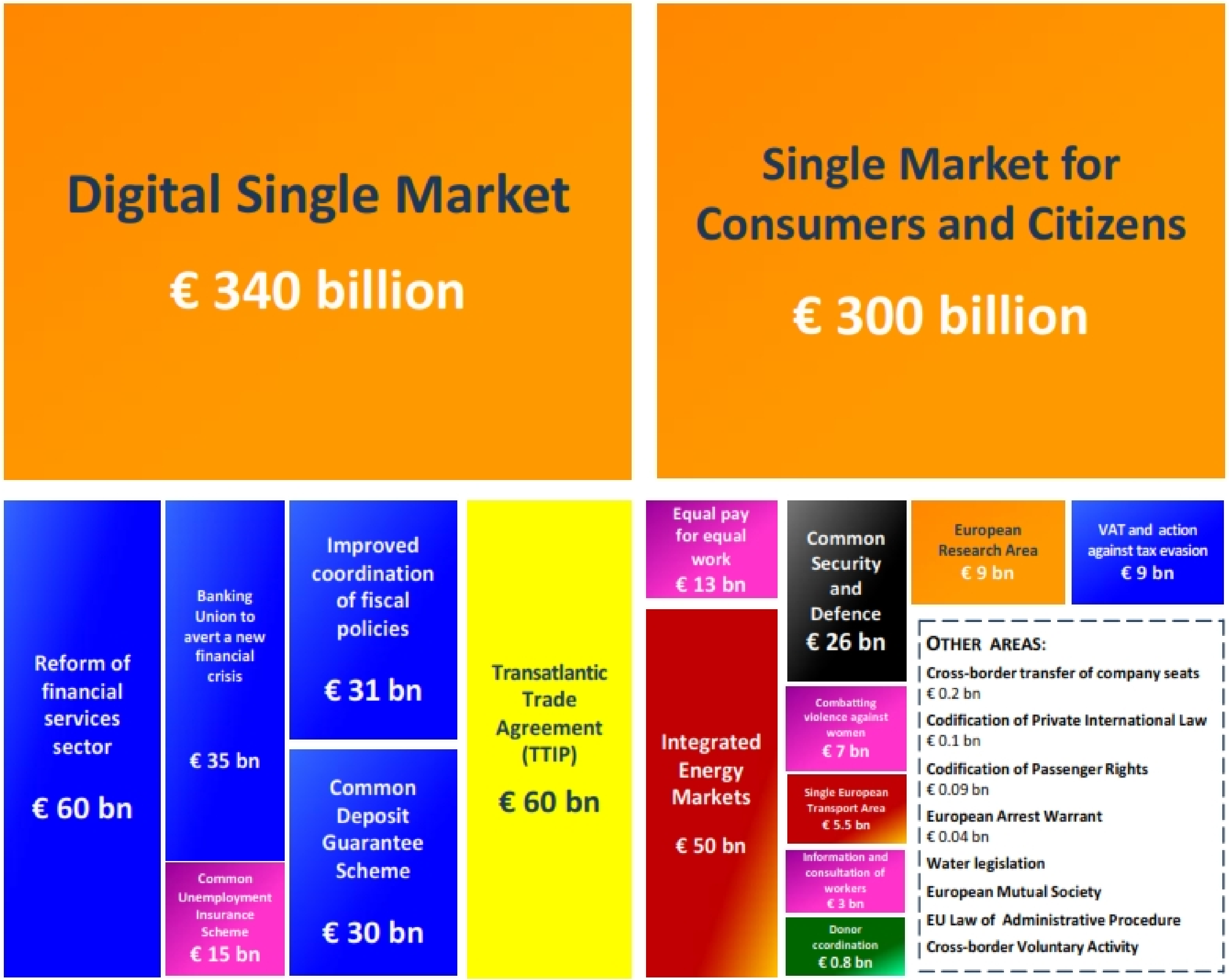
The potential multiplier effect of either deepening existing European action or undertaking new action in certain fields remains strong today. This paper offers a series of estimations for the possible economic gains - whether from additional GDP generated or a more rational allocation of public resources from better coordination of spending at national and European levels - that could help significantly to boost the European economy over time. They point to a strategy for 'growth without debt' as the Union emerges from the recent economic and financial crisis. Some of the figures involved are significant, such as the 340 billion euro in additional GDP which the digital single market could bring, an amount larger than the GDP of several member states. Other figures - such as those relating to harmonising private international law or simplifying public documents - may be less eye-catching, but they nonetheless relate to avoiding real costs to individuals, so easing the everyday life of citizens.

The work on this project is on-going and is being updated regularly. In the first edition of this paper, published in March 2014, an initial figure for the cumulative potential efficiency gain from a series of policy actions at European level, when fully realised, was cited as 800 billion euro. On the basis of further research undertaken in the second quarter of this year, the figure is now revised upwards to around 990 billion euro. At current prices, this would amount to approximately 7.5 per cent of EU GDP.

Klaus WELLE
Secretary General

Anthony TEASDALE
Director General

Cost of NON-EUROPE Map TOTAL: ± € 990 billion



1. Digital Single Market

Potential efficiency gain: 340 billion euro per year

Key proposition

Existing research suggests that a deeper and more complete single market in the digital field could raise the long-run level of EU28 GDP by at least 4.0 per cent, or around 520 billion euro at current prices.[2] The preliminary results of a detailed *Cost of Non-Europe Report* commissioned by the European Parliament's Committee on the Internal Market and Consumer Protection, in order to look at specific dimensions - such as e-commerce, digital payments, cloud computing and the operation of consumer law (consumer *acquis*) in the field - indicate that this annual increase in the long-run level of GDP could well be somewhat higher - currently thought to be in the order of 656 billion euro per year.[3] However, the regulatory complexity of decompartmentalising existing markets in this field suggests that the full potential may take a sustained period of time to realise. A plausible assumption is therefore that, even with the right policies in place, not all that gain for the European economy can be achieved in the coming years. For the purpose of this analysis, the more cautious figure of 340 billion euro is currently retained.

More detailed analysis

A fully functioning digital single market (DSM) would bring significant gains over time, promoting:

- higher productivity, due to the faster flow of information, benefitting in particular knowledge-service industries which depend on information for their services;
- structural changes in the EU economy, with activity moving away from manufacturing and traditional service sectors towards knowledge services;
- greater efficiency and reduced transaction costs in traditional sectors, such as the free movement of goods and services;
- welfare improvements to consumers from a higher level of e-commerce.

However, the current situation in the digital field is still largely one of the fragmentation of an incomplete single market, essentially into 28 national markets. There is a relatively low level of cross-border e-commerce at a time when such activity within individual Member States has been growing rapidly, admittedly from an initially low base. Too many barriers still block the free flow of goods and on-line services across national borders.

The most serious impediments relate to e-privacy, e-payments, VAT payments, consumer protection and dispute resolution, data protection and geographical restrictions (access to products sold electronically which are limited by law or practice to certain geographic areas). There is a clear need to update EU single market rules for the digital era, establishing a single area for on-line payments, e-invoicing, protecting intellectual property rights and clarifying VAT requirements, so generating trust in e-commerce and affording adequate protection to EU consumers in cyberspace. The complexity of the necessary action in this field means that its full potential gain can only be realised in the long term,

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[2] Copenhagen Economics, *Economic Assessment of the Barriers to the Internal Market for Services*, Final Report, January 2005; Copenhagen Economics, *Study on the Economic Impact of the Electronic Commerce Directive*, Final Report, September 2007.

[3] Study commissioned by the EP European Added Value Unit for the Internal Market and Consumer Protection Committee, European Parliament, to be published in September 2014.

but it is equally reasonable work on the assumption that approximately half of that gain should be achievable in the coming years.

The economic benefits estimated in earlier studies included productivity and employment effects from increased use of on-line services. An additional element now factored in is that of welfare improvements to consumers from a higher level of e-commerce, in terms of lower on-line prices and wider choice (estimated by the European Commission at around 12 billion euro).[4] If e-commerce were to grow to 15 per cent of the total retail sector, which is a plausible assumption, and single-market barriers were eliminated, the total consumer welfare gains are estimated at around 204 billion euro, equivalent to 1.6 per cent of EU GDP. Further gains can be made from improvements to the functioning of the market, such as putting in place the online dispute resolution (ODR) system for consumer disputes which could generate savings of some 22 billion euro.[5]

Other estimates of the cost of non-Europe

Several existing studies confirm the substantial size of the potential gains to be expected from the realisation of a digital single market in Europe. As already indicated, detailed work undertaken by Copenhagen Economics in 2005, 2007 and 2010[6] estimates the long-term increase in GDP - as a result of an acceleration of the digital economy, involving increased use of online services, improved digital infrastructure and improved e-skills - to be over 4.0 per cent, or around 520 billion euro per year at current prices.

A recent study for the Conference Board[7] argues that there is an urgent need for an integrated single digital and telecoms market to mobilise the potential of the digital economy, innovation and services. It develops four scenarios that show that information and communications technology (ICT) could be a major source of growth for the European economy (up to half of potential GDP growth in the Union). Andrea Renda of the Centre for European Policy Studies (CEPS) points out that the achievement of a more integrated digital single market will require a major rethinking of the regulatory framework.[8] The European Commission estimates that moving from the current situation where electronic invoices account for 5.0 per cent of business-to-business transactions to widespread acceptance would, in itself, bring benefits of around 40 billion euro per year.[9] These savings would be enhanced by the operation of the Single European Payments Area (SEPA).[10] The Commission argues that the on-going creation of SEPA offers an 'ideal launching pad' for a successful European e-invoicing initiative, with potential savings for businesses estimated at around 64.5 billion euro per year.

According to the Commission's latest Consumer Conditions Scoreboard,[11] EU consumers are still considerably more likely to purchase items on-line from national providers (41 per cent) than from those located in other Member States (11 per cent). The main issue is one of consumer confidence. A recent study by the European Policy Centre (EPC)[12] points to the lack of effective pan-European

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[4] Recent study by European Commission on e-commerce in goods: http://ec.europa.eu/consumers/consumer research/market studies/docs/study ecommerce good en.pdf .

[5] European Commission, Impact Assessment accompanying the Proposal for a Directive of the European Parliament and Council on Alternative dispute resolution for consumer disputes (Directive on Consumer ADR) and Proposal for a Regulation of the European Parliament and Council on Online Dispute Resolution for consumer disputes (Regulation on Consumer ODR) - COM(2011) 793 final; SEC(2011) 1409 final.

[6] Copenhagen Economics, *op. cit.*

[7] The Conference Board, *Unlocking the ICT Growth Potential in Europe: Enabling People and Business*, January 2014.

[8] Andrea Renda, *The Digital Infrastructure as the Next 'EU Grand Project'*, Istituto Affari Internazionali, 2014.

[9] European Commission, *Reaping the benefits of electronic invoicing for Europe*, December 2010, COM(2010)0712.

[10] CapGemini Consulting, *SEPA: Potential benefits at stake*, 2010.

[11] European Commission, *The Consumer Conditions Scoreboard - Consumers at home in the single market*, SWD(2013)0291.

[12] Fabian Zuleeg and Robert Fontana-Reval, *Economic Rationale for a Digital Single Marke*t, European Policy Centre, 2010.

legislation to protect consumers from fraud, rogue-trading and identity theft, and presents this as a failure in the provision of an important public good. It concludes that there is economic justification for intervention by government to establish a legislative framework to protect consumers at EU level. This should represent a 'win-win' situation for both consumers and businesses, since the status quo is sub-optimal for society as a whole.

A recent revision of EU public procurement rules (in April 2014) should make it easier for small and medium-sized enterprises (SMEs) to win public contracts and reduce the red tape often associated with the process. An estimation by the Commission suggests potential savings for public authorities of 100 billion euro per annum if all public procurement could be dealt with on-line.[13] The Commission's strategy on cloud computing[14] also outlines actions designed to deliver a net gain of 2.5 million new European jobs, and an annual boost of 160 billion euro to EU GDP by 2020, by speeding-up and increasing the use of cloud computing across the economy as a whole.

Building Blocks - Potential GDP gains from completing the digital single market	Cost of Non-Europe (billion euro per year)
E-commerce	204
E-procurement	100
Single European Payments Area (SEPA) and e-payments	65
E-invoicing	40
Cloud computing	160
EU regulation of EU mobile roaming rates	5.0
EU regulation of mobile termination rates	2.0
Consumer protection regulation	58
Online dispute resolution system	22
Total:	**656 billion**

European Parliament position in this field

The European Parliament takes the view that completing the digital single market is crucial to stimulating growth and creating employment in the European economy. It believes that fragmentation and lack of legal certainty are primary concerns in this field, and that inconsistent enforcement of existing EU rules in Member States also needs to be addressed. Fragmentation is also partly due to the poor implementation or late transposition of existing directives by Member States, a factor which should be subject to more rigorous scrutiny by the EU institutions. In December 2012, the Parliament called for targeted legislative proposals to strengthen consumer access to, and trust in, products and services traded on-line, and to offer consumers a simple one-stop shop for solutions. It favours developing common European standards to facilitate cross-border e-commerce, backed by a European financial instrument for credit and debit cards. It has recognised the potential of cloud computing and called on the Commission to rapidly propose a European-level strategy for this important market.

[13] Directives 2014/24/EU and 2014/25/EU. (The adoption of 'self-declarations' as preliminary evidence and the 'winning bidder' approach to documentary evidence would reduce administrative burdens associated with public tendering by 80 per cent).

[14] European Commission, Communication on *Unleashing the Potential of Cloud Computing in Europe*. COM(2012) 529 final.

In its most recent resolution, the Parliament welcomed the adoption of the 'Code of EU Online Rights' and also made a series of recommendations regarding future legislation, in order to increase consumer confidence in the digital market, notably through measures to combat the unequal treatment of consumers in the single market arising from current cross-border restrictions applied by companies involved in distance selling. Members also emphasised the need for a high level of network and information security in order to guarantee the functioning of the single market and consumer confidence. The first reading of a relevant legislative proposal was adopted in March 2014.

EP resolution of 4 July 2013 on completing the digital single market (2013/2655(RSP))
Co-Rapporteurs: Pablo ARIAS ECHEVERRÍA (EPP Group) and Malcolm Harbour (ECR, Chair), IMCO Committee.
Plenary vote: FOR: 587 - AGAINST: 48 - ABSTENTIONS: 4.

EP resolution of 11 December 2012 on completing the digital single market (2012/2030(INI)).
Rapporteur: Pablo ARIAS ECHEVERRÍA (EPP Group), IMCO Committee.
Plenary vote: FOR: 604 - AGAINST: 45 - ABSTENTIONS: 15.

European Council position in this field

The European Council has consistently supported the concept of a digital single market in Europe. In June 2010, it endorsed the Commission's flagship initiative on a 'Digital Agenda for Europe' and the establishment of an ambitious plan, based on concrete proposals, with the aim of creating a fully functioning digital single market by 2015. In October 2011 and June 2012, the European Council asked for proposals aimed at the facilitation of e-commerce and cross-border use of on-line services, especially related to broadband coverage, facilitating secure electronic identification and authentication and modernising Europe's copyright regime. In October 2013, the European Council acknowledged that the completion of the digital single market could generate additional GDP growth of 4.0 per cent over the period up to 2020, and expressed support for new investments in infrastructure and the deployment of new technologies, such as 4G, while maintaining technology neutrality. It also called for the adoption of the EU General Data Protection framework and the Cyber-security Directive as essential for the completion of the digital single market by 2015.

2. Delivering and completing the existing Single Market for consumers and citizens

Potential efficiency gain: 300 billion euro per year

Key proposition

The existing single market for goods and services has already contributed significantly to economic growth and consumer welfare in the European Union. The European Commission estimates that progress in this field over the period from 1992 to 2006 increased EU GDP and employment by 2.2 per cent and 1.3 per cent, representing figures of 233 billion euro and 2.8 million jobs respectively.[15] However, a further deepening of the 'classic' single market could still yield significant additional gains for EU consumers and citizens, increasing EU28 GDP by a further 2.2 per cent annually over a ten-year period, if remaining barriers could be eliminated, and existing European law were to be applied properly. Based on preliminary results from work commissioned by the European Parliament's Committee on the Internal Market and Consumer Protection on the completion of the single market in a series of fields - public procurement, free movement of goods, free movement of services and the consumer *acquis* - we currently estimate the potential GDP gain to be in the order of 300 billion euro per year (2.3 per cent of GDP).

A previous research paper on this subject,[16] commissioned by the European Parliament in 2013, is available for download at:

http://www.europarl.europa.eu/RegData/etudes/etudes/join/2013/494463/IPOL-JOIN_ET(2013)494463_EN.pdf

More detailed analysis

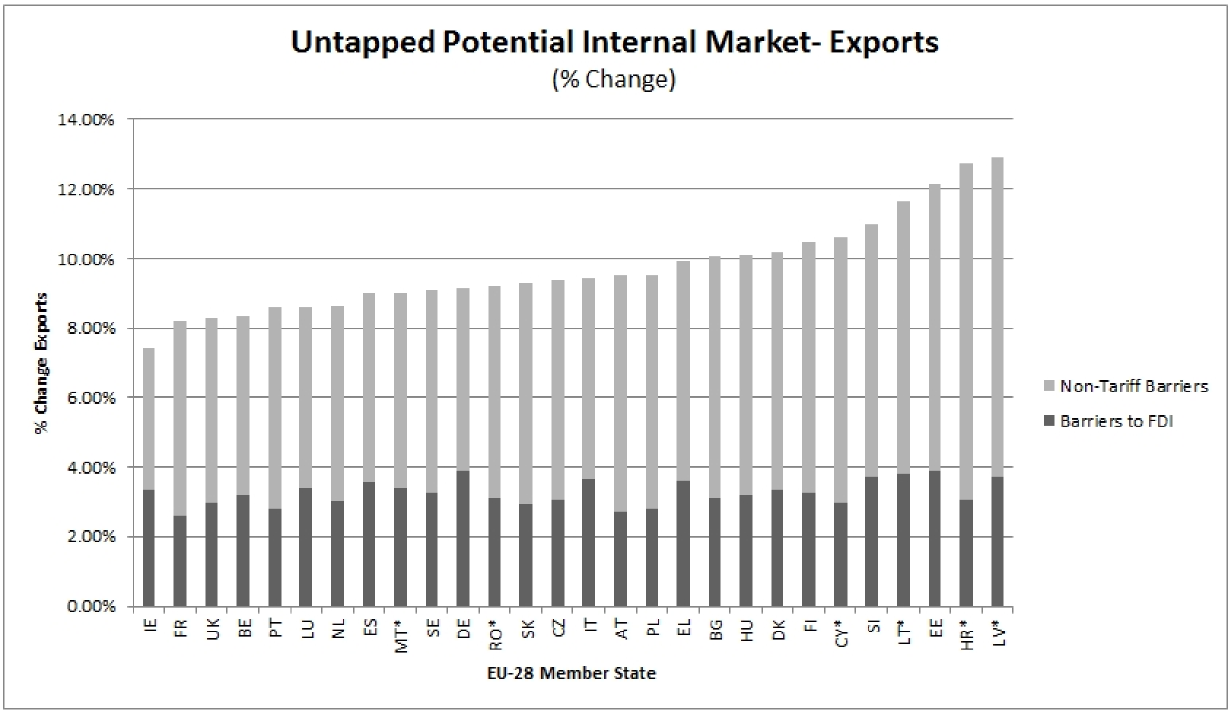
The single market has already reached a high level of economic integration in what is now the largest combined market-place in the world, based on the successful removal of most non-tariff barriers (NTBs) to the free movement of goods and services, and eliminating the majority of physical, fiscal, legal and technical (product standard) obstacles to intra-EU trade. Despite the largely successful adoption and implementation of over 3,500 individual single-market measures during the last three decades, there are still significant remaining challenges and 'missing links'. These include the potential for:

- further easing of the cross-border provision of services, which generates some 70 per cent of value added in the EU but accounts for only 20 per cent of intra-EU trade;
- a more effective consumer protection regime at European level;
- improved market surveillance of the product market;
- greater cross-border public procurement: although the compulsory advertising of public contracts above a certain threshold has made public-sector contracts more competitive, less than 4.0 per cent of all contracts are awarded to foreign bidders in the EU;
- better transposition, implementation and enforcement of existing single-market legislation.

[15] See European Parliament's European Added Value Unit paper, *The Added Value of the European Single Market*, June 2013.

[16] Patrice Muller *et al*, London Economics, for the European Added Value Unit, European Parliament, *Better Governance of the Single Market: European Added Value Assessment*, January 2013.

Preliminary findings from the on-going study commissioned by the Parliament on the remaining untapped potential of free movement of goods alone within the EU suggest that, even if this market is already at a relatively advanced stage, a further 269 billion euro of GDP growth could still be realised in the longer term (2.1 per cent of GDP). This figure so far takes account only of the static effects of increased intra-EU trade in goods and does not include or quantify what economists call the 'dynamic equilibrium welfare effects' - in other words, the multiplier effect of increased trade through, for example, greater economies of scale, lower consumer prices or improved innovation.



Parallel on-going research on the body of EU consumer law (consumer *acquis*) suggests that consumer detriment resulting from an incomplete single market is of the order of 58 billion euro per year, based on a comparison of price convergence in the EU and the United States. Further gains from improved enforcement of existing law[17] would lead to a more equal application of that consumer *acquis* across Europe, greater legal certainty for market operators, greater competition on retail markets, higher consumer trust, fewer compliance costs for businesses, lower litigation costs and less consumer detriment overall.

Building Blocks - Potential GDP gains from closing gaps in the 'classic' EU single market	Cost of Non-Europe (billion euro per year)
Untapped potential of the free movement of goods	269
Untapped potential in free movement of services	39
Cross-border public procurement and concessions	50
Improved consumer protection	*Still to be assessed*
Improved market surveillance (consumer products)	*Still to be assessed*
Total so far:	**358 billion**

[17] *Towards a more efficient enforcement of EU Consumer Rights*, European Consumer Summit, 2013. http://ec.europa.eu/consumers/enforcement/docs/07032013_consumer_summit_discussion_paper_en.pdf

Other estimates of the cost of non-Europe

Whilst very substantial economic gains have already been achieved so far, a number of other studies highlight the proposition that a fuller and deeper single market could yield greater benefits still.[18] In 2010, the Monti report[19] suggested that half of all single-market directives face implementation difficulties of some kind. One recent study on the benefits of the single market[20] estimates that, if all remaining barriers to trade were fully eliminated within the Union, the level of EU GDP could be as much as 14 per cent higher in the long run relative to a scenario of no further integration. Based on this approach, another study[21] deduces that even a more modest objective of reducing the remaining trade barriers within the EU by only 50 per cent would raise the long-run level of EU GDP by 4.7 per cent. A further major study published in November 2013 identifies six areas in which the single market needs to be further developed (construction, retail trade, business services, wholesale trade, logistics and accommodation) and suggests corresponding policy options.[22] Econometric analysis suggests that completing the single market in these sectors could boost them by 5.3 per cent, and EU GDP by 1.6 per cent over the longer term.

European Parliament position in this field

The European Parliament believes that free movement of goods, capital, services and people still offers untapped potential for citizens and business, in terms of efficiency, growth and job creation. It considers that the single market is now in significant need of new momentum, and has called on the Commission to put forward legislative proposals accordingly. This pressure has led to the Commission's communications on the Single Market Act and Single Market Act II. The Parliament is also anxious that the environmental and social dimensions be properly integrated into the single-market strategy, and seeks to: support the creation of a sustainable single market based through the development of an inclusive, low-carbon, green, knowledge-based economy, including measures to further any innovation in cleaner technologies; put consumer interests and social policy at the heart of the single market; ensure the protection of services of general economic interest; and improve informal problem-solving mechanisms in the single market (such as SOLVIT). Finally, the Parliament has called for improved governance of the single market, for example by the development of an analytical tool to measure single-market integration within the framework of the 'single-market pillar' of the European Semester in relation to the country-specific recommendations.

EP resolution of 20 May 2010 on delivering a single market to consumers and citizens (2010/2011(INI)).
Rapporteur: Louis GRECH (S&D Group), IMCO Committee.
Plenary vote: FOR: 578 - AGAINST: 28 - ABSTENTIONS: 16.

EP resolution of 25 February 2014 on Single Market governance *(*2013/2194(INI)).
Rapporteur: Sergio Gaetano COFFERATI (S&D Group), IMCO Committee.
EP plenary vote: FOR: 607 - AGAINST: 64 - ABSTENTIONS: 9.

[18] F. Izlkovitz, A. Dierx, V. Kovacs and N. Sousa, 'Steps towards a deeper economic integration: the Internal Market in the 21st century'. A contribution to the Single Market Review, *European Economy*, Economic Papers No 271, January 2007.

[19] Mario Monti, *A new strategy for the Single Market: At the service of Europe's economy and society*, 2010.

[20] V. Aussilloux, C. Emlinger and L. Fontagné, 'What Benefits from Completing the Single Market?', *La Lettre du CEPII*, No 316, 15 December 2011.

[21] Y. Decreux, 'Completing Single Market II', in the HM Government and Centre for Economic Policy Research (CEPR) study, *Twenty Years On: The UK and the Future of the Single Market*, 2012.

[22] London Economics and PwC, *The cost of non-Europe: the untapped potential of the European Single Market*, April 2013.

Other significant reports in this field during the 2009–2014 parliamentary term include:

A Single Market for Europeans (2010/2278(INI)).
Rapporteur: Antonio CORREIA DE CAMPOS (S&D Group), IMCO Committee.

A Single Market for Enterprises and Growth (2010/2277(INI)).
Rapporteur: Cristian BUŞOI (ALDE Group), IMCO Committee.

Governance and Partnership in the Single Market (2010/2289(INI)).
Rapporteur: Sandra KALNIETE (EPP Group), IMCO Committee.

Motion for a Resolution of 14 June 2012 on Single Market Act: The Next Steps to Growth. *(2011/XXX*
Rapporteur: Malcolm HARBOUR (ECR Group), IMCO Committee.

20 main concerns of European citizens and business with the functioning of the Single Market (2012/2044(INI)).
Rapporteur: Regina BASTOS (EPP Group), IMCO Committee.

The Governance of the Single Market (2012/2260(INI)).
Rapporteur: Andreas SCHWAB (EPP Group), IMCO Committee.

European Council position in this field

The European Council welcomed the Monti report in June 2010, and a year later, supported the idea, initiated by the Parliament and taken over by the Commission, of a Single Market Act, inviting the co-legislators to adopt, by the end of 2012 a first set of priority measures to bring a new impetus to the Single Market, with a particular emphasis on measures which create growth and jobs. This wish was reiterated in March 2012. In December 2013, the European Council called for enhanced efforts as regards the speedy adoption of remaining legislation under the Single Market Acts I and II, and the swift implementation by the Member States of the measures they contain.

3. Banking Union and banking regulation to avert a new financial crisis

Potential efficiency gain: 35 billion euro per year

Key proposition

The establishment of a fully-functioning system of Banking Union, resting on sound banking regulation, has the potential to help avoid significant recapitalisation costs and GDP loss in the coming years, by playing a key role in averting or containing any future financial crisis. Initial research on this subject suggests that the potential gain for the European economy, compared to past experience, lies in the area of at least 35 billion euro per year.

A research paper by European Parliament on this subject[23] is available for download at:

http://www.europarl.europa.eu/RegData/etudes/note/join/2012/494458/IPOL-JOIN_NT(2012)494458_EN.pdf

Other estimates of the cost of non-Europe

The cumulative GDP loss from the recent financial, economic and sovereign debt crisis was very substantial indeed - estimated to be at least 2.12 trillion euro within the EU[24] - over the period from 2008 to 2012. Furthermore, more than 12 per cent of EU GDP was used to prevent the collapse of the financial system through state aid. The effective measures put in place at all levels to avert or attenuate the recurrence of any such crisis will thus bring considerable welfare gains in the future. The present analysis cautiously considers the potential gain at 37 billion euro per year, taking its cue from the lower bound in the latest estimation by the European Commission.

This quantification relates to selected financial reforms, namely higher capital requirements under the Capital Requirements Directive (CRD IV) and the bail-in and resolution fund provisions of the Bank Recovery and Resolution Directive (BRRD). The potential annual net benefits are estimated to be in the range of 0.3 to 0.8 per cent of GDP, or 35 to 100 billion euro a year. The European Commission and the European Central Bank have provided a very long list of qualitative benefits, as well as quantitative ones.[25]

European Parliament position in this field

The European Parliament called for measures to address, in a Community framework and with genuine accountability, the resolution of failing banks, guaranteeing a common ‘rule book’, as well as a common set of intervention tools and triggers, whilst limiting taxpayers' involvement to a minimum, through the creation of harmonised, self-financed, industry resolution funds. The Parliament has favoured a cross-border framework for insurance guarantee schemes across Member States. It has also addressed the issue of remuneration policies in the financial sector. Finally, the Parliament has called on Member States to ensure the full implementation of CRD IV. In April 2014, the European Parliament adopted three key texts to complete the legislative work underpinning the Banking Union.

[23] Graham Stull, European Added Value Unit, European Parliament, *Towards a Genuine Economic and Monetary Union: European Added Value Dimensions*, October 2012.

[24] Eurostat, *Statistical impact on government deficit and Statistical impact on government debt* (2013): this study shows an aggregate cost of government intervention of 16.3 per cent of EU28 GDP.

[25] European Commission, *Economic Review of the Financial Regulation Agenda*, SWD(2014) 158.

In effect, the adoption of the texts turned the concept of such a union into reality in less than two years.

EP resolution of 20 November 2012 with recommendations to the Commission on the report of the Presidents of the European Council, the European Commission, the European Central Bank and the Eurogroup 'Towards a genuine Economic and Monetary Union' - legislative initiative report under Rule 42 (2012/2151(INI)).
Rapporteur: Marianne THYSSEN (EPP Group), ECON Committee.
Plenary vote: FOR: 482 - AGAINST: 160 - ABSTENTIONS: 35.

European Council position in this field

In December 2013, the European Council welcomed the final agreement reached by legislators on the Deposit Guarantee Scheme Directive and the Bank Recovery and Resolution Directive (BRRD). It also welcomed the general approach and the specific conclusions reached by the Council on the Single Resolution Mechanism. According to the European Council, alongside the already adopted Single Supervisory Mechanism, the SRM would represent a crucial step towards the completion of the Banking Union. In March 2014, the European Council welcomed the final agreement reached on the SRM, opening the way to the completion of the Banking Union and representing 'another crucial step towards a stronger and more resilient Economic and Monetary Union'.

4. Completing reform of the financial services sector

Potential efficiency gain: 60 billion euro per year

Key proposition

The potential benefits from having a fully integrated and effectively regulated EU-wide financial services sector could be in the order of 60 billion euro per year, through interest savings alone. Additional costs and benefits remain to be assessed.

More detailed analysis

In the absence of barriers and asymmetric costs, market integration should generally imply price convergence at lower levels, as is shown in a classic study on market integration in the motor car sector.[26] This concept can be applied to the residential mortgage market in the euro area and to bank financing of SMEs.

The Mortgage Credit Directive adopted in 2014 aims at establishing a high level of consumer protection, addressing irresponsible lending and borrowing, and creating a competitive market. The potential efficiency gain from this directive, as a result of price convergence, could be in the order of 63 billion euro per year, measured in interest savings alone. Moreover, about 75 per cent of euro-area firms rely on banks for external funding. Savings for SMEs - which account for 99 per cent of EU companies and 70 per cent of all employees - could be in the order of 53 billion euro per year, after a successful phasing-in period.[27]

Given that language barriers and other significant constraints - together with locking-in effects, vertical integration and possible country-risk pricing - will undoubtedly persist, even with the further integration of financial markets, the potential gain of 116 billion euro would need to be discounted, leading to the use here of a more modest figure of some 60 billion euro per year. For the time being, possible additional impacts, such as efficiency gains from other forms of credit, as well as the indirect positive impact on the operations of enterprises which use cheaper financing, are not taken into account.

Building Blocks - Potential efficiency gains from completing reform of the financial services sector	Cost of Non-Europe (billion euro per year)
Financial supervision	*Still to be assessed*
Regulation of financial markets	19
Insurance and pensions	*Still to be assessed*
Retail financial services and consumer protection	60
Financial crime	*Still to be assessed*
Total so far:	**79 billion**

[26] P.K. Goldberg and F. Verboven, *Market Integration and Convergence to the Law of One Price: Evidence from the European Car Market,* NBER Working Paper, 2001.

[27] Graham Stull, European Added Value Unit, European Parliament, *Towards a Genuine Economic and Monetary Union: European Added Value Dimensions*, October 2012.

Other estimates of the cost of non-Europe

The European institutions have delivered a set of reforms to respond to the challenges of the financial crisis. These are summarised in the recent communication of the European Commission entitled 'A reformed financial sector for Europe'.[28] However, there is still a risk of non-Europe in the financial services sector, which takes several forms. Work is not yet complete on financial supervision. Possible gains from legal and regulatory harmonisation (the so-called 'single rulebook') will be dissipated without consistent implementation and application. Some legislative measures have only recently entered into force, and many are subject to longer phasing-in periods or will be have to be complemented with delegated and implementing acts.

The 'Economic Review of the Financial Regulation Agenda',[29] accompanying the Commission Communication, contains the latter's own cost-benefit analysis of EU legislation in this field, as well as a review of existing studies of the subject. The main conclusion is that the benefits of recently adopted reforms of financial regulation in the EU should substantially outweigh its costs.

The Commission estimates that recently-adopted reforms of *financial markets* should result in a reduction of costs amounting to at least 19 billion euro per year. This calculation relates to the reform of the derivatives regime, to the reduction of the excess cost of post-trading and to post-trading market consolidation, as well as to Target2Securities.[30]

In the *insurance* field, the EU can still reap the significant benefits related to the new framework for insurance regulation and supervision in the EU (Solvency II/Omnibus II Directives), which will apply as of January 2016. These benefits, which will also depend on the interaction between primary legislation, secondary legislation, and implementation and enforcement, are not quantified here.

In the field of *payment accounts*, the Commission estimates that the adopted Directive on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features, would yield significant benefits to consumers. Although substantial net benefits are quantified, the Commission refrains from providing a single figure which would summarise all impacts.[31]

In relation to *financial crime*, the International Monetary Fund (IMF) calculates that money laundered around the world each year amounts to between 2.0 to 5.0 per cent of global GDP. Assuming an even distribution of money laundered globally, the European Commission estimates that the amount laundered in the EU is somewhere in the region of 245 to 613 billion euro annually. A consistent extrapolation performed by the Commission, based on a more recent estimate by the UN Office on Drugs and Crime, puts this figure at some 330 billion euro per year.

European Parliament position in this field

In 2012, the European Parliament adopted an own-initiative resolution in the field of shadow banking, underlining that the latter was 'one of the main possible triggers or factors contributing to the financial crisis, and can threaten the stability of the financial system'. The Parliament is currently considering additional measures to address the problems posed by the shadow banking system, for instance the Money Market Funds Regulation and the proposal on transparency of securities financing transactions.

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[28] European Commission (COM(2014)279).

[29] European Commission (SWD(2014) 158).

[30] European Commission, *Economic Review*, pp. 107-108 and 173.

[31] http://ec.europa.eu/internal_market/finservices-retail/docs/inclusion/20130508-impact-assessment-resume_en.pdf

The Parliament has recalled the importance of implementing a more transparent framework for state aid to the financial services sector (following the temporary framework introduced as result of the financial crisis in 2008) to prevent distortion within the single market, as well as excessive public spending (the new framework entered into force in August 2013 and has still to be evaluated).

In the pensions' field, the Parliament adopted a resolution setting an agenda for adequate, safe and sustainable pensions. It urged the Commission not to jeopardise the investment potential and to respect the different characteristics of pension funds and other pension providers, when reviewing the Directive on the activities and supervision of institutions for occupational retirement provision.

The Parliament considers that ‘consumer protection in the area of financial services should be strengthened and consumers’ financial capabilities should be raised, given the significant potential detriment that financial services can cause to individual consumers and to the Single Market. Improved transparency and better informed transactions will result in better solutions for consumers and greater market efficiency.’

European Parliament resolution on shadow banking (2012/2115(INI)
Rapporteur: Saïd EL KHADRAOUI (S&D Group), ECON Committee.
Plenary vote: show of hands.

European Parliament resolution 'Agenda for adequate, safe and sustainable pensions (2012/2234(INI)
Rapporteur: Ria OOMEN-RUIJTEN MEP(EPP Group), EMPL Committee.
Plenary vote: FOR: 502 - AGAINST: 138.

Organised crime, corruption and money laundering: recommendations on action and initiatives to be taken (2013/2107(INI)
Rapporteur: Salvatore IACOLINO (EPP Group), CRIM Special Committee.
Plenary vote: FOR: 526 - AGAINST: 25.

Organised crime, corruption and money laundering (2012/2117(INI)
Rapporteur: Salvatore IACOLINO (EPP Group), CRIM Special Committee.
Plenary vote: show of hands.

European Council position in this field

In December 2013, the European Council called on the Union and Member States to give specific attention ‘to enhancing the functioning and flexibility of the single market for products and services, improving the business environment, and further repairing banks' balance sheets with a view to addressing financial fragmentation and restoring normal lending to the economy.’

5. Common unemployment insurance scheme for the euro area

Potential saving: 15 billion euro

Key proposition

The creation of a common unemployment insurance (or reinsurance) scheme (UIS) for the euro area could act as an automatic stabiliser during any future periods of serious economic down-turn. Analysis of the potential benefits during the recent crisis suggests that such a scheme would have attenuated the GDP loss in the most affected Member States by 71 billion euro over five years, equivalent to almost 15 billion euro in any one year.

More detailed analysis

Many benefits can reasonably be expected from such a scheme, once certain conditions are met, such as the fact that the scheme would only fund short-term unemployment, and be limited in time, to avoid permanent financial transfer to certain Member States. Under these conditions, a scheme would, inter alia:

- limit severe economic crisis, through its stabilising effect on disposable income and hence private consumption and aggregate demand;
- ensure a well-targeted stimulus, because the insurance scheme would intervene in areas where unemployment rates are higher;
- cushion individual disposable income, and therefore serve an insurance function, which would have a direct positive welfare effect for risk-averse agents;
- reduce the pressure for using social policies as a variable of fiscal adjustment in the case of asymmetric shocks (avoid the so-called 'race to the bottom' in welfare provision in periods of crisis).

The European Parliament's own assessment presents a range of estimates for the stabilisation effects of an EU unemployment scheme for national episodes of major distress sufficient to trigger assistance from a central fund. The stabilisation would only be for major shocks. The stabilisation effects are measured by combining the net inflow coming from the unemployment insurance scheme with a multiplier, on the basis that public expenditure generates an input to growth higher than the expenditure itself.[32]

For the development of the calculations, the six countries which suffered most during the recent recession - Estonia, Greece, Ireland, Latvia, Lithuania and Spain - were examined. It was found that the GDP loss would have been reduced by 71 billion euro over the five-year period. For instance, in the Spanish case, the net inflow, multiplied by the fiscal multiplier, generates an additional output equal to between 13 and 19 billion euro every year, starting from 2009, which is 1.3 to 1.8 per cent of GDP.

Concerning the funding of the central scheme, two main options have been considered. The first variant would be a scheme where the necessary revenue would be generated through a dedicated tax

[32] This multiplier varies with the type of expenditure, as well as according to the characteristics of the economy. Within the context of the Parliament's own assessment, a multiplier of 1.5 was considered to be safe, which represents a cautious assumption close to those used in the five studies analysed. By comparison, estimates to be found in the US economic literature on this subject vary between 0.7 and 3.0 dollars for every dollar spent on unemployment insurance.

on consumption or on labour. In the second variant, revenue would be collected via a contribution from national governments not directly linked to a specific tax. The Parliament's assessment also looked at the fiscal side of the central scheme and again analysed different options - namely, a system which would be balanced annually, a system balanced over the economic cycle, or a flexible system with no fiscal rule.

Other estimates of the cost of non-Europe

In 2008, Zandi calculated that in the United States, a one dollar increase in unemployment benefits could generate an estimated 1.64 dollars in near-term GDP. In 2010, Vroman considered this impact to be larger, estimating that every dollar spent on unemployment insurance would increase economic activity by 2.0 dollars. An earlier study by the US Department of Labor estimated that on average one dollar of unemployment insurance benefit generated GDP growth of 2.15 dollars. Monacelli *et al* confirmed that 'in response to an increase in government spending normalized to 1 per cent of GDP, we estimate an output multiplier well above one, in the range of 1.2 to 1.5 (at one-year and two-year horizon respectively)'. Less precise is a 2010 projection by the US Congressional Budget Office (CBO), according to which increasing assistance to those unemployed by one dollar would increase GDP by between 0.7 and 1.9 dollars during the period from 2010 to 2015.

A study presented in 2012 by S. Dullien[33] suggested that a common insurance scheme would have reduced economic fluctuations in some euro-area countries. For instance in Spain, the fourth largest economy in the zone, such a fund could have mitigated the downturn by almost 25 per cent.[34] If so, the cost of the crisis in Spain would have been reduced by approximately 11 billion euro. Stabilisation of at least 10 per cent would also have occurred in Ireland and Greece, potentially resulting in a reduction of the cost of the crisis there of 1.6 and 2.3 billion euro respectively. These savings total 15 billion euro.

In 2014, a Bertelsmann Stiftung study argued that, while the positive impact of an unemployment scheme will differ widely between countries, for serious down-turns, the stabilisation impact of a euro-area unemployment insurance scheme would have been sizeable[35] in a relatively large number of countries. Similarly, a recent research paper by the University of Namur[36] argues that the financial crisis has demonstrated that the euro area needs new stabilisation and adjustment mechanisms and, that an unemployment insurance scheme at EU level offers a valuable avenue for more stability in Member States.

European Parliament position in this field

The European Parliament considers that ensuring unemployment compensation during a down-turn has significant macro-economic stabilisation potential, as demonstrated by experience in the EU and US. A second important benefit is that this type of expenditure goes where it is most needed: to support the consumption capacity of households whose labour income has suddenly reduced, mitigating the otherwise inevitable fall in demand among households. It gives the affected economies greater fiscal space to implement structural reforms and invest where it is needed for long-term sustainable recover.

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[33] http://www.diw.de/documents/publikationen/73/diw_01.c.413714.de/diw_econ_bull_2013-01_2.pdf

[34] Data source: www/tradingeconomics.com. On average, GDP growth in Spain in 2009 was -3.7 %, reaching a negative low of -4.4 % in June 2009.

[35] S. Dullien, A European Unemployment Benefit Scheme, How to provide for more stability in the Euro zone. Bertelsmann Stiftung edition, 2014.

[36] Alain de Crombrugghe, University of Namur, Department of Economics, March 2014.

The Parliament called for concrete steps in terms of building a genuine social and employment pillar as part of European Monetary Union, in particular by ensuring that the flexibility of the labour market is balanced by adequate levels of social protection.

EP resolution of 23 October 2013 on the European Semester for economic policy coordination: Implementation of 2013 priorities (2013/2134/(INI).
Rapporteur: Elisa FERREIRA (S&D Group), ECON Committee.
Plenary vote: FOR: 476 - AGAINST: 96 - ABSTENTIONS: 25.

EP resolution of 4 February 2014 on the European Semester for economic policy coordination: Employment and social aspects in the Annual Growth Survey 2014 (2013/2158(INI)
Rapporteur: Sergio GUTIERREZ PRIETO (S&D Group), EMPL Committee.
Plenary vote: FOR: 545 - AGAINST: 120 - ABSTENTIONS:10.

European Council position in this field

The 2012 'Van Rompuy report' entitled *Towards a genuine Economic and Monetary Union* – submitted by the Presidents of the European Council, European Commission, European Central Bank and Eurogroup – called for an insurance system that would help Member States deal with some macroeconomic shocks without generating permanent net transfers.

In December 2012, the European Council agreed on a road-map for the completion of the EMU in which the social dimension is included in the form of mutually agreed contractual arrangements and associated solidarity mechanisms. Moreover, in June 2013, it recalled that the social dimension should be strengthened, notably by using appropriate employment and social indicators within the European Semester, and pointed out the need to ensure better coordination of employment and social policies, while fully respecting national competences.

6. Improved coordination of fiscal policies

Potential efficiency gain: 31 billion euro per year

Key proposition

Unless fiscal policies are effectively coordinated, there can be significant negative 'spillover' effects between the Member States participating in Economic and Monetary Union (EMU), and more widely across the European Union. The upper limit of the scale of such spillover effects has been estimated to be 0.25 per cent of GDP.[37] For the EU as a whole, this implies a potential total cost from poor coordination or non-coordination of fiscal policies of some 31 billion euro per year.

The relevant European Parliament research paper[38] is available for download at:

http://www.europarl.europa.eu/RegData/etudes/note/join/2012/494458/IPOL-JOIN_NT(2012)494458_EN.pdf

Other estimates of the cost of non-Europe

In a recent staff discussion note,[39] the International Monetary Fund (IMF) explored the role that deeper fiscal integration can play in correcting structural weaknesses in the EMU system, reducing the incidence and severity of future crises and lending long-term credibility to the crisis measures undertaken. Although country-level adjustment and support via the European Stability Mechanism (ESM), the European System of Financial Supervision (ESFS) and the Outright Monetary Transactions backstop, together with progress towards Banking Union, are important achievements, a clearer ex-ante approach to fiscal discipline and transfers is very important to further strengthen EMU and help ensure the stability of the euro area for the future.

Effective mechanisms of fiscal policy coordination in the EU is also the subject of a piece of long-term research financed by the European Commission within the Horizon 2020 framework.[40]

European Parliament position in this field

The European Parliament has called for a comprehensive overhaul of the framework for economic governance, with the strengthening of fiscal surveillance and the effective application of strengthened rules for the Stability and Growth Pact. It believes that an integrated fiscal framework is an essential part of a genuine EMU – based on a functioning 'six-pack' and 'two-pack', a Fiscal Compact under the Community method, a European budget funded by own resources, a gradual rollover of bad debts in a redemption fund, and measures to fight tax evasion, accompanied by better practices in taxation. In a genuine EMU, better ex-ante coordination of economic and fiscal policies (through an improved European Semester process) should also be the rule. A new Social Pact at European level, with binding minimal requirements, is also considered an important element of a new integrated economic framework and a step towards future crisis prevention.

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[37] A. Ivanova, S. Weber, *Do fiscal spillovers matter?,* International Monetary Fund Working Paper, 2011.

[38] Graham Stull, European Added Value Unit, European Parliament, *Towards a Genuine Economic and Monetary Union: European Added Value Dimensions*, October 2012.

[39] International Monetary Fund, *Toward a Fiscal Union for the Euro Area*, 2013.

[40] More information on this research, which is still at an early stage, is available at: http://ec.europa.eu/research/participants/portal/desktop/en/opportunities/h2020/topics/2077-euro-1-2014.html#tab1

EP resolution of 20 November 2012 with recommendations to the Commission on the report of the Presidents of the European Council, European Commission, European Central Bank and Eurogroup 'Towards a genuine Economic and Monetary Union' (2012/2151(INI)).
Rapporteur: Marianne THYSSEN (EPP Group), ECON Committee.
Plenary vote: FOR: 482 - AGAINST: 160 - ABSTENTIONS: 35.

European Council position in this field

In October 2012, the European Council called for further mechanisms, including an appropriate fiscal capacity, to be explored for the euro area, in the context of an integrated budgetary framework. In June 2012, it stressed that 'there are areas where the Member States sharing a single currency, and others willing to join the effort, want to go further in their efforts to coordinate and integrate their financial, fiscal and economic policies within the European Union framework, fully respecting the integrity of the Single Market and of the European Union as a whole.'

7. Common deposit guarantee scheme

Potential efficiency gain: 30 billion euro per year

Key proposition

On the basis of research conducted during the recent economic and financial crisis, the potential benefit of instituting a common Deposit Guarantee Scheme (DGS) within the euro area is estimated at 13 billion euro per year for three vulnerable countries (Greece, Ireland and Spain). This figure could potentially rise to 30 billion euro if other vulnerable countries (Portugal, Italy, Cyprus and Slovenia) were included.

The relevant European Parliament research paper[41] is available for download at:

http://www.europarl.europa.eu/RegData/etudes/note/join/2012/494458/IPOL-JOIN_NT(2012)494458_EN.pdf

More detailed analysis

As a result of the crisis, bank deposits have decreased significantly in certain Member States since 2010 - by 11 per cent in Spain, 30 per cent in Greece, 4.0 per cent in Ireland and 29 per cent in Cyprus (compared to June 2012). A common DGS could help prevent bank runs, thereby reducing the risk and burden of bank recapitalisation. The impact of a common scheme on preventing deposit transfers outside crisis countries (with their large impact on recapitalisation needs) still needs to be further assessed. A 2012 study of one affected Member State, Ireland, has estimated the cost of the status quo, in terms of lending foregone, to be around 0.9 per cent of GDP.[42]

European Parliament position in this field

The European Parliament has noted that the euro area is in a unique situation, with participating Member States sharing a single currency but without a common budgetary policy or common bond market. It considers it essential to further investigate the feasibility of a common redemption fund for bad debts and the common issuance of eurobonds, suggestions which have not been followed up with legislative proposals so far. However, the Commission's proposal for an update of the existing Deposit Guarantee Schemes Directive (DGS) was adopted by the Parliament in April 2014, with a guarantee for deposits of up to 100,000 euro. Although such a guarantee has been in place since the start of the crisis, it did not have sufficient backing, reducing the risk that taxpayers' money would be required by national funds or similar arrangements financed through bank levies. Member States must now transpose the Directive by July 2015.

EP resolution of 16 January 2013 on the feasibility of introducing Stability Bonds (2012/2028(INI)).
Rapporteur: Sylvie GOULARD (ALDE Group), ECON Committee.
Plenary vote: FOR: 361 - AGAINST: 268 - ABSTENTIONS: 33.

[41] Graham Stull, European Added Value Unit, European Parliament, *Towards a Genuine Economic and Monetary Union: European Added Value Dimensions*, October 2012.

[42] S.Holten and F. McCann, Irish SME credit supply and demand: Comparisons across surveys and countries, Central Bank of Ireland, 2012.

8. Common Security and Defence Policy

Potential efficiency gain: 26 billion euro per year

Key proposition

The efficiency gain from closer cooperation at European level in the area of security and defence policy is thought to range from some 130 billion euro at the high end to at least 26 billion euro per year, on the more cautious estimate used here. If Member States were to operate in a more integrated manner, they would need to spend significantly less than their current collective defence budget of 190 billion euro.

The European Parliament's recent *Cost of Non-Europe Report* on this subject[43] - prepared ahead of the European Council of 18-19 December 2013, which was devoted in part to Common Security and Defence Policy (CSDP) - is available for download at:

http://www.europarl.europa.eu/RegData/etudes/etudes/join/2013/494466/IPOL-JOIN_ET(2013)494466_EN.pdf

More detailed analysis

The cost of non-Europe in security and defence derives, in the first instance, from the lack of integration of the military structures of the Member States. EU armed forces, despite participation in multinational contingents, are organised on a strictly national basis. Secondly, costs arise from the lack of a truly integrated defence procurement market, which is currently partially exempted from the single market. The existence of 28 compartmentalised national markets, each with its own administrative burden and regulated separately, hinders competition and results in a missed opportunity for economies of scale for industry and production.

An upper figure of 130 billion euro in terms of potential savings in public expenditure this field was calculated in the past by comparing costs in the United States and Europe, and assuming European efficiency levels to be only 10 to 15 per cent of those in the US.[44] It also assumed a hypothetical single EU defence system, with the same kind of cost structure, operating conditions and budgetary efficiency as those in the US. Such a situation would have resulted in an overall total defence budget in Europe of 62.9 billion euro, rather than the 193 billion euro which was actually spent.

An alternative 'bottom-up' figure, used in the European Parliament's *Cost of Non-Europe Report*, can be constructed by calculating specific potential efficiency gains field by field. With industrial efficiency gains of 10 per cent, due to greater cooperation, the figure comes in at a minimum of 26 billion euro per year (at 2011 prices). This envisages, on cautious estimates, efficiency gains of, for example, 10 billion euro in industry or 2.0 billion in standardisation and certification of ammunition.

Other estimates of the cost of non-Europe

There is an increasing literature on this subject. A recent study by the Istituto Affari Internazionali[45] analyses the potential for gains from reducing the duplication or multiplication of operational structures, stocks and research activities and programmes at 120 billion euro annually. A study by the

[43] Blanca Ballester, European Added Value Unit, European Parliament, *European Common Security and Defence Policy. Cost of Non-Europe Report*, December 2013.

[44] Unisys, 2005.

[45] Istituto Affari Internazionali, *I costi della Non-Europa della Difesa*, 2013.

Bertelsmann Stiftung[46] argues that there is potential for significant economic gains from having smaller, consolidated land forces: the potential saving for the Member States would be some 6.5 billion euro per year.

Blocking Blocks - Potential efficiency gains through greater cooperation	Cost of Non-Europe (billion euro per year)
Efficiency gains in industry	10
Certification of ammunition	0.5
Standardisation of ammunition	1.5
Off-sets	6.6
Efficiency gains in land forces	6.5
Efficiency gains in infantry vehicles	0.6
Efficiency gains in air-to-air refuelling	0.2
Efficiency gains in basic logistic support	0.03
Efficiency gains in frigates	0.4
Total:	**26.4 billion**

European Parliament position in this field

Prior to the European Council devoted in part to EU Common Security and Defence Policy (CSDP) in December 2013, the European Parliament adopted two resolutions on CSDP and the European defence technological and industrial base. The Parliament's position in these resolutions is largely congruent with the conclusions of December 2013 Council, but more ambitious.

Overall, the Parliament has drawn attention to the changing global strategic landscape and to reduced defence budgets, as accelerated by the economic and financial crisis. It has urged Member States to reinforce EU industrial cooperation, by developing and producing efficient military and security capabilities, using the most advanced technologies. Parliament favours a European defence industry strategy which aims at optimising Member State capabilities by coordinating the development, deployment and maintenance of a range of capabilities, installations, equipment and services. The Parliament has called *inter alia* for:

- a white paper on the EU security and defence policy which would include a plan of action to increase the effectiveness, visibility and impact of the CSDP;
- the implementation of flagship projects on air-to-air refuelling, satellite communication, remotely piloted aircraft systems, cyber-defence and the Single European Sky;
- the establishment of a permanent military operational CSDP headquarters;
- the banning of the development, production and use of fully autonomous weapons;
- the improvement of the transparency and openness of the defence markets;
- the development of a policy supporting the development of multiple-use space assets.

[46] Bertelsmann Stiftung, 'The Fiscal Added Value of Integrated European Land Forces', in *The European Added Value of EU Spending: Can the EU help its Member States to Save Money?*, Bertelsmann Stiftung Exploratory Study, 2013.

EP resolution of 21 November 2013 on the implementation of the Common Security and Defence Policy (based on the Annual Report from the Council to the European Parliament on the Common Foreign and Security Policy) (2013/2105(INI)).
Rapporteur: Maria Eleni KOPPA (S&D Group), AFET Committee.
Plenary vote: FOR: 421 - AGAINST: 104 - ABSTENTIONS: 80.

Parliament resolution of 21 November 2013 on the European Defence Technological and Industrial base (2013/2125(INI)).
Rapporteur: Michael GAHLER (EPP Group), AFET Committee.
Plenary vote: FOR: 451 - AGAINST: 103 - ABSTENTIONS: 67.

European Council position in this field

The European Council of December 2012 concurred on the need to strengthen CSDP and called *inter alia* for the following actions in this field:

- enhancing the development of Europe's defence capabilities to meet future civilian and military demands, based on systematic and long term European defence cooperation;
- developing a more integrated, sustainable, innovative and competitive European defence technological and industrial base;
- putting in place a roadmap for the development of defence industrial standards;
- measures to open the European defence and security market and to improve the synergies between civilian and military research and development;
- greater access for SMEs to defence and security markets;
- a roadmap for a comprehensive EU-wide security of supply regime;
- the development of Remotely Piloted Aircraft Systems (RPAS) and air-to-air refuelling capacity;
- preparations for the next generation of Governmental Satellite communication; and
- the development of a roadmap to implement the EU Cyber security Strategy and to protect assets in EU missions and operations.

9. Transatlantic Trade Agreement (TTIP)

Potential efficiency gain: 60 billion euro per year

Key proposition

There could be significant potential gains for the European economy from the successful conclusion of the Transatlantic Trade and Investment Partnership (TTIP) agreement currently being negotiated between the European Union and the United States. Based on an independent report from 2013,[47] the European Commission estimates that the EU economy should be boosted, in a range between 60 and 120 billion euro annually, depending on the degree of market liberalisation envisaged. Potential gains would stem from the reduction of tariffs, elimination of non-tariff barriers (NTBs) to trade in goods and in services, and from the opening up public procurement. Direct and indirect spill-over effects - the improvement of trade possibilities for third countries with the EU and US, either automatically or because third countries purposefully adopt the regulatory standards of the EU and US - could also bring significant gains.

More detailed analysis

A major study undertaken in 2013 by CEPR for the European Commission, in the framework of its impact assessment, reviewed the importance of the bilateral EU-EU economic relationship and provided computable general equilibrium (CGE)-based estimates for the economy-wide impact of reducing both tariff and non-tariff barriers (NTBs).

Building Blocks - Potential efficiency gains from a successful TTIP	Cost of Non-Europe (billion euro per year)	
	EU	US
Tariff liberalisation of 98 per cent	25.4	9.8
NTB reductions in goods of 10 per cent	29.2	25.5
NTB reductions in services of 10 per cent	3.5	6.9
Direct spill-over effects	8.0	7.4
Indirect spill-over effects	2.2	- 0.07
Total:	**68.2**	**49.5**

Source: CEPR. Note: The NTB totals include an expected gain of 6.1 billion euro (EU) and 3.3 billion euro (US) in respect of a public procurement opening of 25 per cent.

It estimated that, under a comprehensive agreement, EU GDP could increase by between 60 and 120 billion euro, and US GDP by between 49.5 and 94.9 billion euro, depending on how ambitious liberalisation of trade and investment turned out to be. EU exports of goods and services to the US would go up by 28 per cent, equivalent to an additional 187 billion euro. Overall, total exports would

[47] Joseph Francois, Miriam Manchin, Hanna Norberg, Olga Pindyuk and Patrick Tomberger, *Reducing Transatlantic barriers to trade and investment: an economic assessment*, Centre for Economic Policy Research (CEPR), 2013.

increase by 6.0 per cent in the EU and 8.0 per cent in the US. This study was recently analysed by the Parliament in a detailed appraisal of the Commission's impact assessment.[48]

Other estimates of the cost of non-Europe

An earlier 2009 Ecorys study had estimated that eliminating half of the NTBs caused by regulatory divergence could increase EU GDP by 0.7 per cent by 2018, compared to the baseline scenario of 'no action'.[49] This would represent an annual potential gain of 122 billion euro. The Ecorys survey acted as a basis not only for the 2013 CEPR study, but also for a group of related studies, focussed on individual EU member states - namely, for namely Austria[50] (FIW, 2013), Sweden[51] (Kommers-kollegium, 2013), the Netherlands[52] (Ecorys, 2012) and the United Kingdom[53] (CEPR, 2013). Ireland commissioned a study from Copenhagen Economics, published in June 2014, which predicted a GDP increase of 1.1 per cent and a 2.7 per cent increase in exports.[54] All studies indicate positive national income effects for both parties of the agreement and confirm that most of the likely gains would be attributable to the lowering of NTBs for goods.

A Bertelsmann Stiftung study, *TTIP and the 50 States*,[55] also based on the CEPR's work, suggests that TTIP has the potential to increase transatlantic trade and investment flows substantially and to create as many as 750,000 new jobs in the US alone. Moreover, by lowering the costs of trade and driving job growth in a range of industries, US households are estimated to gain approximately 865 dollars annually, while their European counterparts would gain the equivalent of 526 euro.

A second group of studies introduces new methodologies and quantifications on NTBs. A CEPII study,[56] also published in 2013, suggests that trade in goods and services between the EU and the US would increase by approximately 50 per cent on average, including a rise of 150 per cent in agricultural products. 80 per cent of the expected trade expansion would stem from lowered NTBs. There could therefore be an annual increase in national income of 98 billion dollars for the EU and 64 billion dollars for the US.

Finally, a further, 'outlier', study by the Bertelsmann Stiftung[57] estimates that the TTIP has the potential to obtain the rather greater GDP increment for the US of some 13 per cent and some 5.0 per cent for the EU, based on assumptions derived from observing trade flows and how they increased in previous agreements.

[48] Jacques Pelkmans, Arjan Lejour, Lorna Schrefler, Federica Mustilli and Jacope Timini (CEPS), *EU-US Transatlantic Trade and Investment* Partnership, Detailed Appraisal commissioned by the EP's Ex-Ante Impact Assessment Unit, April 2014.

[49] ECORYS, *Non-tariff measures in EU-US trade and investment - an economic analysis*, ECORYS Nederland, 2009.

[50] Francois, J. and O. Pindyuk, 'Modelling the Effects of Free Trade Agreements between the EU and Canada, USA and Moldova/Georgia/Armenia on the Austrian Economy: Model Simulations for Trade Policy Analysis', FIW-Research Reports 2012/13, No 3, January 2013.

[51] Kommerskollegium, 'Potential Effects from an EU-US Free Trade Agreement – Sweden in Focus', Report, 2013.

[52] Ecorys, "Study on "EU-US High Level Working Group" – Final Report", Report to the Dutch Ministry of Economic Affairs, Agriculture and Innovation, October 2012.

[53] CEPR, 'Estimating the Economic Impact on the UK of a Transatlantic Trade and Investment Partnership (TTIP) Agreement between the European Union and the United States', Final Project Report, 2013.

[54] Copenhagen Economics, *An economic study on the impact of the EU-US Trade Agreement on Ireland*, 2014 – an unpublished report, foreshadowed in a government press release.

[55] Atlantic Council, Bertelsmann Foundation and the British Embassy to US, *TTIP and the Fifty States: Jobs and Growth from Coast to Coast*, September 2013.

[56] CEPII, *Transatlantic Trade: Whither partnership; which economic consequences?,* September 2013.

[57] G. Felbermayr, B. Heid and S. Lehwald, *Transatlantic Trade and Investment Partnership (TTIP): Who benefits from a free trade deal? Part 1: Macroeconomic Effects*, Bertelsmann Stiftung, 2013.

European Parliament position in this field

In May 2013, European Parliament adopted a resolution calling on the Council to follow up on the recommendations contained in the final report of the High-Level Working Group on Jobs and Growth, which was established by the EU-US Summit in November 2011, and to authorise the European Commission to start negotiations for an agreement with the US. The Parliament also reiterated 'its support for a deep and comprehensive trade and investment agreement with the US that would support the creation of high-quality jobs for European workers, directly benefit European consumers, open up new opportunities for EU companies, in particular small and medium-sized enterprises (SMEs), to sell goods and provide services in the US, ensure full access to public procurement markets in the US, and improve opportunities for EU investments in the US'.

EP resolution of 23 May 2013 on EU trade and investment negotiations with the United States of America, P7_TA(2013)0227.
Rapporteur: Vital MOREIRA (S&D Group), INTA Committee.

European Council position in this field

The European Council adopted, on 17 June 2013, the mandate for the negotiations, which states that the Agreement shall be ambitious, comprehensive, balanced, and fully consistent with, but going beyond, World Trade Organisation (WTO) rules and obligations, providing for reciprocal liberalisation of trade in goods and services, as well as rules on trade related issues. It should be composed of three key elements: market access, regulatory convergence (including NTBs), and trade rules addressing shared global challenges.

10. Integrated energy markets in Europe

Potential efficiency gain: 50 billion euro per year

Key proposition

A more economically and physically integrated single market in energy could result in efficiency gains of at least 50 billion euro. This figure takes into consideration both the European Parliament's own assessment of the situation in four specific areas of the market - amounting to a minimum gain of 15 billion euro - and a series of estimates from other sources detailed below. The Parliament's *recent Cost of Non-Europe Report*[58] can be downloaded at:

http://www.europarl.europa.eu/thinktank/en/documents.html?word=%22Single+market+in+energy%22&documentType=STUDIES&id=&body=EAVA&dateStart=&dateEnd=&action=submit

More detailed analysis

The European Parliament's analysis has so far focussed on potential gains in the following four fields:

- *Regulated prices*: A 'tariff deficit'[59] is accumulated for each kWh of electricity supplied at a regulated tariff. In countries like Spain or Poland with approximately 15 million domestic consumers with an average annual electricity consumption of 3,000 kWh (80 per cent supplied at the regulated tariff), the total tariff deficit would be around 720 million euro per year. This could mean 9.5 billion euro per year for the Union as a whole.
- *Development of hubs and exchanges*: To assess 'non-Europe' and a 'physically integrated' situation, the costs of non-integrated generation portfolios in six Member States (Germany, France, Luxembourg, the Netherlands, Belgium and Austria) were compared with a physically integrated situation. This showed that, over the whole area, 16.5 GW less generation capacity was required, roughly 8.0 per cent less than would be required in separate portfolios. The costs thus avoided on a per annum basis were estimated at 1.2 billion euro (capital costs) and 448 million euro (fixed operational costs). This indication of the cost of non-Europe for the six Member States would translate into more than 3.0 billion euro per year in the long term at EU level.
- *Lack of market coupling*: In a situation where two markets are already connected, physically as well as commercially, market coupling increases the efficiency of capacity allocation. A case study looked at the border between France and Italy, estimating the efficiency loss by comparing the cost of capacity bookings to the value of the capacity, the cost of explicit auctions between France and Italy both for the day-ahead and the intra-day auction results, the cost of implicit auctions, and, finally, estimating the cost difference. The efficiency loss was estimated to be 78 million euro per year on the border of Italy and France.
- *Balancing market*: Transmission system operators (TSOs), whose area of responsibility is usually defined along national borders, generally manage their balancing operations separately. Working together would reduce required back-up capacity and the amount of energy used. The International Grid Control Cooperation, involving six TSOs and with Germany at its centre, saves around 300 million euro per year.

[58] Micaela del Monte, European Added Value Unit, European Parliament, *The Cost of Non-Europe in the Single Market for Energy*, September 2013.

[59] When regulated end-user prices are fixed below the total retail cost, a tariff deficit occurs. In a country where the electricity retail market price is 0.20 euro per kWh for domestic consumers and the regulated tariff is set at 0.18 euro per kWh, the tariff deficit would be 0.02 euro per kWh.

Other estimates of the cost of non-Europe

There is an extensive literature on the untapped potential of closer cooperation in energy policy in Europe. The table below provides a summary of the most recent estimations of the potential gains from closer cooperation, some calculating the possible benefit at almost 500 billion euro:

Building Blocks - Potential efficiency gains by energy sector	(billion euro per year)
Gas and Electricity	
European Commission study on the benefits of integrating the energy market[60]	12.5 - 40
A report on the cost of not having an integrated EU energy market for gas estimates that the market benefits of full implementation of the third energy package in 2015 compared to 2012 could reach a maximum of 8.0 billion euro per year[61]	8.0 - 30
EU consumers could save about 13 billion euro in total if they switched to the cheapest electricity tariff they could find[62]	13
Savings equivalent to 15 billion euro per year would be possible if uncompetitive price differentials between Member States were addressed[63]	15
Renewables	
Gains of 6 to 30 billion euro are available in the period from 2015 to 2030 under the coordinated renewable investment scenario[64]	16 - 30
Total renewable production could increase to 238 Mtoe by 2020 and, with unchanged fuel prices, would enable 50 billion euro in imported fuel costs to be avoided by 2020[65]	50
Total gross value added of the renewable energy sources (RES) sector in the EU in 2020 would amount to 99 billion euro (0.8 per cent of total GDP). On the basis of the accelerated deployment policy scenario, the value would amount to 129 billion euro (1.1 per cent of total GDP), or 197 billion euro by 2030 if combined with optimistic export expectations[66]	99 - 197
EU-wide renewable energy trading and achieving the 20 per cent renewable energy target efficiently in all MS would reduce costs in the overall energy system by up to 8 billion euro[67]	8.0
Energy efficiency	
By 2020, a 20 % increase in energy efficiency in buildings could save 32 % of primary energy in Europe, 2.6 billion barrels of imported oil per year and 193 billion euro per year[68]	193
Energy efficiency could cut the EU's energy bill by about 200 billion euro per year[69]	200
Boost competitiveness and lower net energy costs would result in net benefits of about 500 billion euro by 2050 in lower energy bills for households and industry.[70]	500

[60] This recent study, commissioned by the Commission, estimated that the net benefit of achieving generation adequacy in the internal electricity market would amount to 7.5 billion euro per year in the period 2015 to 2030. Furthermore, it is expected that EU-wide sharing of balancing reserves would generate annual net benefits of up to 0.5 billion euro. Additional material gains in the order of 4 billion euro could come from using smart grids to facilitate a demand-side response at consumer level. Booz & Company, *Study on the benefits of an integrated European energy market*, 2013: http://ec.europa.eu/energy/infrastructure/studies/doc/20130902_energy_integration_benefits.pdf

[61] *Energy challenges and policy* - European Commission contribution to the European Council of 22 May 2013.

[62] http://ec.europa.eu/energy/gas_electricity/consumer/consumer_en.htm

[63] *Energy challenges and policy* - European Commission contribution to the European Council of 22 May 2013.

[64] Booz & Company, op. cit.

[65] *Energy Economic Developments in Europe*, January 2014. http://ec.europa.eu/economy_finance/publications/european_economy/2014/pdf/ee1_en.pdf

[66] *The impact of renewable energy policy on economic growth and employment in the European Union*, study commissioned by the European Commission, 2006.

[67] *Energy challenges and policy* - European Commission contribution to the European Council of 22 May 2013.

[68] *Energy Priorities for Europe*, presentation by José Manuel Barroso to the European Council of 22 May 2013.

[69] *Background on Energy in Europe*, Information prepared by the Commission for the European Council, 4 February 2011.

European Parliament position in this field

In November 2012, the European Commission presented a Communication entitled 'Making the Internal Energy Market Work',[71] accompanied by an action plan. In that context, the European Parliament has stressed the need to move forward with the implementation of the third internal energy market package, particularly its effective transposition. It also underlined the importance of providing comparison tools for consumers, allowing transparent pricing and billing, and emphasised the need to reinforce security of supply, end the physical isolation of several Member States in the energy market, and pay greater attention to the needs of vulnerable consumers.

Among other key actions that the Parliament has called for are: modernisation of existing energy transmission, distribution and storage infrastructure, especially trans-border interconnections. Where relevant, interconnections should also be developed with third countries; implementation and enforcement of internal market legislation especially competition rules for all market players; a feasibility study on a European fund for investment in energy networks, financed by a compulsory levy on energy consumption on the territory of the EU; a comprehensive assessment of generation adequacy, based on harmonised methodology, and provide guidance on how to enhance and maintain supply; and reduction of energy bills by adopting and implementing ambitious binding targets for the reduction of greenhouse gas emissions, for renewable energy sources and for energy efficiency.[72] In March 2014, in the context of the situation in Ukraine, the Parliament also underlined the need to increase EU storage capacities and provide reverse flow of gas from EU Member States to Ukraine.[73]

Parliament resolution of 10 September 2013 on making the internal energy market work (2013/2005(INI)).
Rapporteur: Jerzy BUZEK (EPP Group), ITRE Committee.
Plenary vote: Show of hands.

Parliament resolution of 5 February 2014 on a 2030 framework for climate and energy policies (2013/2135(INI)).
Rapporteur: Anne DELVAUX (EPP Group), ENVI and ITRE Committees.
Plenary vote: FOR: 341 - AGAINST: 263 - ABSTENTIONS: 26.

European Council position in this field

Since 2011, the European Council has stressed the importance of a fully-functioning, inter-connected and integrated internal energy market. In March 2014, the European Council also stressed the need to address the issue of external energy dependency through a further diversification of supplies and routes, increased energy efficiency, smart grids, improving the opportunity for the integration of renewable energy into networks, and increased production of domestic energy resources. It therefore called on the Commission to conduct an in-depth study of EU energy security and to present a comprehensive plan for the reduction of EU energy dependence by June 2014.

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[70] Research by the Fraunhofer Institute in 2013 has shown that the EU has a 41 per cent cost-effective end-use energy savings potential for 2030. Tapping this potential would reduce greenhouse gas emissions in 2030 by at least 49 per cent to 61 per cent, compared to 1990 levels, as well as boost competitiveness and lower net energy costs for households and industry by 2030. According to the study, households and industry would receive net benefits of 240 billion euro annually by 2030 and of about 500 billion euro by 2050 in lower energy bills.
Study available at: http://www.isi.fraunhofer.de/isi-en/x/projekte/2030-target-system.php

[71] European Commission, *Making the internal energy market work*, COM(2012)663 final, November 2012.

[72] European Parliament resolution of 5 February 2014 on a 2030 framework for climate and energy policies (2013)2135/INI.

[73] Joint Motion for a Resolution of 12 March 2014 on the invasion of Ukraine by Russia, 2014/2627(RSP).

11. Equal pay for equal work

Potential efficiency gain: 13 billion euro per year

Key proposition

There is important evidence that closing the gender pay gap (GPG) is not only desirable in its own right, but has a positive effect on economic growth. A *European Added Value Assessment*[74] on the application of the principle of equal pay for equal work of equal value, drafted in support of a legislative initiative in Parliament on this subject, has found that each 1.0 per cent reduction in the gender pay gap would result in an increase in GDP of 0.1 per cent. A European-level initiative with this effect could boost EU GDP by 17 billion euro per year. For the purposes of this paper, a more cautious figure of 13 billion euro has been retained.

The Parliament's *European Added Value Assessment* on this subject, together with its annexes - undertaken for its Committee on Women's Rights and Gender Equality (FEMM) - are available for download at:

http://www.europarl.europa.eu/RegData/etudes/etudes/join/2013/504469/IPOL-JOIN_ET(2013)504469_EN.pdf and http://www.europarl.europa.eu/thinktank/en/

More detailed analysis

Work was undertaken on the potential economic gain from a proposed revision of Directive 2006/54/EC on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation. The minimum and maximum levels of impact of such legislative action on reducing the GPG were assessed to lie between one and three per cent. On the basis that every 1.0 per cent reduction in the GPG would result in an increase in GDP of 0.1 per cent, it follows that a GDP gain of approximately 17 billion euro could be envisaged. This estimate does not take into account the heterogeneous situation across the Member States in terms of GPG, given that some Member States have already partly implemented some of Parliament's recommendations, and that others might choose to drag their feet in compliance. This is why the final figure retained here is a more cautious 13 billion euro per year.

Other estimates of the cost of non-Europe

According to economic literature, the benefits of reducing the GPG are numerous, including not only an increase in female wages, but also a reduction in low-income benefit payments, a change in the fertility rate and an increase in female employment.[75] A 2012 OECD study concluded that, on average, a 50 per cent decrease in the gender gap in labour force participation rates would lead to an increase in the GDP per capita annual growth rate of 0.3 per cent.[76] If full convergence occurred by 2030, the increase would be 0.6 per cent per year.

[74] Micaela del Monte, European Added Value Unit, European Parliament, *European Added Value Assessment on the application of the principle of equal pay for men and women for equal work of equal value*, June 2013.

[75] For a short presentation of economic benefits see: *The economic case for gender equality*, presentation at the Swedish Presidency conference on gender equality, *What does gender equality mean for economic growth?*, October 2009.

[76] http://www.oecd.org/inclusive-growth/Closing%20the%20Gender%20Gaps.pdf

Specific national studies support these conclusions. In 2010, the National Centre for Social and Economic Modelling (NATSEM) in Australia estimated that the country's 17 per cent GPG costs its economy 8.5 per cent of GDP, representing 93 billion Australian dollars each year. The same study argued that the Australian economy would grow by 0.5 per cent of GDP (5.5 billion Australian dollars) if the gender wage gap was reduced by only 1.0 per cent.[77] A United Kingdom study in 2006 found that a combination of factors, such as job segregation between the sexes, lack of part-time roles in senior posts and hidden pay discrimination, contributed to an avoidable loss of between 1.3 and 2.0 per cent of GDP (15 and 23 billion pounds sterling) each year.[78]

According to a 2014 estimate, based on hourly earnings of both full- and part-time workers, women in the United States earn 84 per cent of that of their male counterparts.[79] Based on this estimate, it would take approximately 40 days, or until the end of February, for women to earn what men had earned by the end of the previous year. The 16 per cent pay gap today has narrowed from 36 per cent in 1980. The US analysis suggests that the gender pay gap still persists because women are significantly more likely to take career breaks to take care of their family, with interruptions of this kind having an impact on long-term earnings.

European Parliament position in this field

In May 2012, the European Parliament adopted a resolution based on a legislative initiative report on equal pay (Bauer report), calling on the European Commission to review Directive 2006/54/EC before February 2013, specifically in respect of definitions, work evaluation and job classification, equality bodies and legal remedies, prevention and discrimination, sanctions, gender mainstreaming. In its response, the Commission indicated that it did not intend to review the directive to address the specific causes of the current gender pay gap within the timeframe specified, but would instead draw up a report reviewing the practical implementation of the directive at national level. The Parliament's Committee on Women's Rights and Gender Equality asked for a *European Added Value Assessment* to be prepared as a follow-up and to provide additional justification for the legislative initiative report.

The Parliament has also called for a revision of the Council Directive concerning the Framework Agreement on part-time work, with the aim of closing the gender pay gap, and for a proposal on collective redress with the possible inclusion of collective redress against violations of the equal pay principle.

EP resolution of 24 May 2012 on application of the principle of equal pay for male and female workers for equal work or work of equal value (2011/2285(INI)).
Rapporteur: Edit BAUER (EPP Group), FEMM Committee.
Plenary vote: FOR: 482 - AGAINST: 160 - ABSTENTIONS: 35.

Motion for a resolution further to Question for Oral Answer on the application of the principle of equal pay for male and female workers for equal work or work of equal value (2013/2678(RSP))
Edit BAUER (EPP Group), FEMM Committee.
Plenary vote: FOR: 544 - AGAINST: 34 - ABSTENTIONS: 50.

[77] http://www.actu.org.au/Images/Dynamic/attachments/6895/NATSEM per cent20factsheet.pdf

[78] Women and Work Commission, *Shaping a Fairer Future*, February 2006.

[79] http://www.pewresearch.org/fact-tank/2014/04/08/on-equal-pay-day-everything-you-need-to-know-about-the-gender-pay-gap/

12. VAT and action against tax evasion

Potential efficiency gain: 9 billion euro per year

Key proposition

Tax evasion is not only illegal, it leads to an inefficient and distorted allocation of resources in the economy. Given the extensive shortfall in VAT receipts, a benefit of at least 9 billion euro per year could be anticipated from modest action at EU level in this field, notably by the introduction of a standardised European invoice and/or an EU-coordinated or simplified cross-border taxation system. These actions could facilitate the fight against VAT fraud which affects the Union's financial interests and also facilitate cross-border transactions and reduce costs for businesses and citizens.

Other estimates of the cost of non-Europe

Decreasing the size of the EU's shadow economy, estimated to be at around 20 per cent of the official GDP, would increase the efficiency of the allocation of resources in the European economy. However, this is very difficult to achieve without more effective EU-wide tax cooperation. The total impact of an EU-coordinated or simplified cross-border taxation system has yet to be properly assessed.

According to a recent study on the 'VAT gap' in 26 Member States, an estimated 193 billion euro in revenues (or 1.5 per cent of GDP) was lost due to non-compliance or non-collection in 2011.[80] The VAT gap is the difference between the expected VAT revenue and the VAT actually collected by national authorities. While non-compliance is certainly an important contributor to this revenue shortfall**,** the VAT gap is not only due to fraud**.** Unpaid VAT also results *inter alia* from bankruptcies and insolvencies, statistical errors, delayed payments and legal avoidance.

According to a recent study by PWC for the European Commission, a stronger and better-coordinated EU VAT returns policy could result in the additional receipt of between 9.0 and 20 billion euro a year, depending on the level of harmonisation.[81] An EU 'standard VAT return', mandatory for Member States but optional for businesses registered in multiple Member States, could bring in around 9.5 billion euro per year.

European Parliament position in this field

The European Parliament has called on the European Commission to revise the Savings Taxation Directive to put an end to the temporary derogation for certain Member States, increase its scope to cover trusts and various forms of investment income, and extend its provision to jurisdictions favoured for tax evasion. It has also stressed the need to review the Parent-Subsidiary Directive and the Interest and Royalties Directive, in order to eliminate tax evasion via hybrid financial instruments. The Parliament has called for a standardised European invoice to facilitate cross-border transactions and controls.

[80] CPB Netherlands and CPB, *Study to quantify and analyse the VAT gap in the EU-27 Member States,* July 2013, undertaken for the European Commission.

[81] PWC, Study on the *Feasibility and impact of a common EU standard VAT return*, undertaken for the European Commission, February 2013.

EP resolution of 21 May 2013 on Fight against Tax Fraud, Tax Evasion and Tax Havens (2013/2060(INI)).
Rapporteur: Mojca KLEVA KEKUŠ (S&D Group), ECON Committee.
Plenary vote: Show of hands.

EP resolution of 13 October 2011 on the future of VAT (2011/2082(INI)) based on the Casa report.
Rapporteur: David CASA (EPP Group), ECON Committee.
Plenary vote: FOR: 521 - AGAINST: 50 - ABSTENTIONS: 58.

EP resolution of 2 April 2014 (consultation) on the proposal for a Council Directive amending Directive 2011/96/EU on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States.
Rapporteur: Mojca Kleva Kekuš (S&D Group), ECON Committee.
Plenary vote: FOR: 513 - AGAINST: 32 - ABSTENTIONS: 81.

European Council position in this field

In March 2013, the European Council reiterated the need for renewed efforts to improve the efficiency of tax collection and to tackle tax evasion, including through savings taxations agreements with third countries and rapid progress in tackling the problem of VAT fraud.

13. Combatting violence against women

Potential reduction in direct costs: 7 billion euro per year

Key proposition

The most recent Europe-wide figures on violence against women[82] indicate that 33 per cent of women have experienced physical and/or sexual violence at some time since the age of 15. It an EU policy framework in this area were to reduce violence by only 10 per cent, the direct economic costs for the economy could be reduced by approximately 7.0 billion euro per year.

A *European Added Value Assessment* on this subject,[83] undertaken for the Parliament's Committee on Women's Rights and Gender Equality, is available for download at:

http://www.europarl.europa.eu/thinktank/en/documents.html?word=%22Violence+against+women%22&documentType=STUDIES&id=&body=EAVA&dateStart=&dateEnd=&action=submit

More detailed analysis

The recent *European Added Value Assessment* on combating violence against women, drafted in support of a legislative initiative in the European Parliament, has estimated the economic cost of such violence at 69 billion euro annually (2011), or 0.5 per cent of EU GDP. The figures were calculated by identifying the impacts of violence against women (estimating their size and costs); attributing these costs to different stakeholders; and then scaling up from Member State to EU level, and are based on an extrapolation to the EU as a whole of figures for the United Kingdom published by the Department of Trade and Industry (DTI) in 2004.[84]

The three main types of costs of violence against women identified and investigated were: (a) in services - the legal system (criminal and civil), health services (physical and mental), and specialised services (costs attributed to the state and the public); (b) in lost economic output - the effect of injuries on working time and of diminished productivity through reduced concentration at work (costs borne by business and economy); and (c) in the pain and suffering of the victims - calculated following a methodology used in other domains and based on the estimates of the public's willingness to pay to avoid harm and injuries (costs borne by the victims). The impacts for individuals and wider society, for which the precise scale of effects is not known in detail, were not included in the cost calculation.

The total cost of violence against women for the EU28 was thus estimated at 228 billion euro annually**.** This figure includes 45 billion euro a year in costs to public services, 24 billion euro in terms of lost economic output, and 159 billion euro annually as the cost of the pain and suffering of the victims. If we do not include the indirect costs – namely, monetisation of the cost of the pain and suffering – the cost of violence against women comes to at least 69 billion euro per year, or 0.5 per cent of EU GDP. An initiative of the type proposed by Parliament, even if it were to reduce violence by only 10 per cent, would thus reduce the direct economic costs by approximately 7.0 billion euro per year.

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[82] EU Fundamental Rights Agency, *Violence against Women - an EU-wide survey,* March 2014, http://fra.europa.eu/en/press-release/2014/violence-against-women-every-day-and-everywhere

[83] Monika Nogaj, European Added Value Unit, European Parliament, *Combatting violence against women: European Added Value Assessment*, November 2013.

[84] S. Walby, *The Cost of Domestic Violence*, 2004.

Building Blocks - Cost of gender-based violence against women in the EU (2011)	Cost of Non-Europe (billion euro per year)
Cost to state/public services	45
Lost economic output	24
Pain and suffering of victims	159
Total:	**228 billion**

Other estimates of the cost of non-Europe

In a 2006 study, the Council of Europe provided a rough comparative analysis of the cost estimates for domestic violence among its member states.[85] The study concluded that the costs lay within a range of about 20 to 60 euro for every person in the population per year (2006 prices). Another 2006 study, funded by the Commission under the DAPHNE programme, focused on domestic violence.[86] It estimated the economic cost of the latter at 16 billion euro annually for EU Member States (again, in 2006 prices). The figures include medical, judicial, police, social and economic costs.

European Parliament position in this field

Parliament has repeatedly called on the Commission to propose a specific and comprehensive legal instrument to combat violence against women (For example: the Bastos report on the DAPHNE programme: achievements and future prospects (2011/2273(INI)); and the Svensson report on priorities and outline of a new EU policy framework to fight violence against women (2010/2209(INI)). It considers the 'victims' package' was adopted in June 2013 as a useful step forward, but insufficient to deal fully with the problem.

The Parliament has thus also called for: the adoption of a legal act supporting the action of Member States in the field of prevention of violence; the establishment of a coherent system for collecting statistics on gender-based violence in Member States; the launching of the procedure for the accession of the EU to the Istanbul Convention; and the adoption of an EU-wide strategy and action plan to combat violence against women.

2013/2004(INL): Report with recommendations to the Commission on combating violence against women.
Rapporteur: Antonyia PARVANOVA (ALDE Group), FEMM Committee.
Adopted in plenary on 25 February 2014.
Plenary vote: Show of hands.

[85] Carol Hagemann-White, *Combating violence against women, Stocktaking study on the measures and actions taken in Council of Europe member states,* 2006.

[86] Psytel, Ingénierie de l'information, *Estimated cost of domestic violence in Europe* (IPV EU cost - 2006), 2006.

14. Information and consultation of workers

Potential efficiency gain: 3.0 billion euro per year

Key proposition

More systematic information and consultation of workers, especially at times of restructuring, could lead to significant economic benefits - by reducing the severity of industrial conflicts, reducing the rate at which people leave their jobs (the so-called 'quit rate'), increasing employability, and/or easing social and health effects on social welfare systems and the related costs (notably in health-related treatment). The European Parliament's *European Added Value Assessment* on the subject[87] analysed how an appropriate initiative at EU level should limit the social costs of structural adjustment, provide an integrated and coherent approach to dealing with restructuring, and help eliminate potential distortions of competition within the single market and inequalities in treatment of workers resulting from divergences in national regulations. Across the Union as a whole, the measure could generate efficiency gains of around 3.0 billion euro per year.

The *European Added Value Assessment* on this subject, undertaken for the European Parliament's Committee on Employment and Social Affairs, is available for download at:

http://www.europarl.europa.eu/thinktank/en/documents.html?word=%22Consultation+of+workers%22&documentType=STUDIES&id=&body=EAVA&dateStart=&dateEnd=&action=submit

More detailed analysis

The main objective of the Parliament's own assessment was to provide an estimation of the potential impact of the measures outlined in the Cercas legislative initiative report. The main impacts investigated included: impact on number of redundancies, impact on employability (prospect of workers finding future employment) and impact on job quality (workers within their current job). The evidence concerning impacts at company level was then combined with information concerning costs, and a simple cost-effectiveness analysis was presented. The main conclusions were that, distributed over all EU Member States, early consultation would reduce the number of redundancies by approximately 22 per cent. Had this taken place in 2011, when there were 464,000 planned redundancies, such a measure could have resulted in an estimated reduction of approximately 100,000 redundancies. This data was then combined with labour productivity, a measure often used to estimate how efficient a given population is in producing goods and services.

Labour productivity is defined by the OECD as gross domestic product (GDP) per hour worked. More simply, productivity is a measure of output from a production process, per unit of input. The labour input is defined as total hours worked by all persons engaged, and the data for labour input comes from the OECD Employment Outlook, Annual National Accounts and Labour Force Statistics. On the basis of these statistics, the productivity level in Europe - or GDP output per hour worked - varies from 26.2 dollars per hour in Poland to 77.1 dollars per hour in Luxembourg, with the euro area having a labour productivity of around 51 US dollars per hour. Based on a cautious assumption of the average of labour productivity per hour at EU28 level of 26 dollars per hour, the economic added value of the proposed measure was estimated to be around 40,950 dollars per year per unit of labour. This figure was obtained by multiplying the labour productivity by the labour hours in a given week, and then by

[87] Micaela del Monte, European Added Value Unit, European Parliament, *European added value of an EU measure on information and consultation of workers, anticipation and management of restructuring processes*, November 2012.

the labour weeks in a year (26 USD x 35H x 45W). This, multiplied by the estimated number of redundancies that could have been avoided in 2011, then gives a figure of approximately 4.0 billion dollars, equivalent to 3.0 billion euro. The result was combined with the potential costs for implementing the measures and further reduced by applying a 'compliance rate' (i.e. the extent to which the proposed measures would be implemented in Member States).

Building Blocks - Potential efficiency gains from information and consultation of workers	Cost of Non-Europe (billion euro)
Early consultation and reduction in the number of redundancies by approximately 22 per cent	3.0
Helping 35 per cent of redundant workers find new jobs	4.8
Training to help 36 per cent of redundant workers find new jobs	4.9
Total:	**12.7 billion**

Other estimates of the cost of non-Europe

There is evidence showing that the success of redeployment depends very much on the past career of the workers concerned and how much they benefited from training and career guidance in the transition process.[88] In terms of the benefits of information and consultation, it is seen that advance notification of redundancies encourages successful redeployment, especially where it is accompanied by job-search assistance and training.[89]

European Parliament position in this field

The European Parliament considers that lay-offs have to be seen as a last resort, after having considered all possible alternatives and without this diminishing the competitiveness of enterprises. Moreover, it calls on the Commission to assess whether it is necessary to take steps at Union level to supervise the activities of companies, in order to prevent abuse of any kind with prejudicial effects, particularly on workers.

The Parliament calls on the Commission to submit, on the basis of Article 225 TFEU and after consulting the social partners, a legislative proposal on information and consultation of workers, anticipation and management of restructuring, following the detailed recommendations set out in Annex I of its resolution of 15 January 2013. In its response to the Parliament's legislative initiative, the Commission indicated that it did not intend to present a proposal for legislation, but would put forward a communication on establishing a quality framework for restructuring and anticipation of change, which was presented in December 2013.[90]

EP resolution of 15 January 2013 on information and consultation of workers, anticipation and management of restructuring (2012/2061(INI)).
Rapporteur: Alejandro CERCAS (S&D Group), EMPL Committee.
Plenary vote: FOR: 503 - AGAINST: 107 - ABSTENTIONS: 72.

[88] Gazier, International Labour Organisation (ILO), 2005.

[89] Torres, *Social accompaniment measures for globalisation: sop or silver lining?*, 2005.

[90] European Commission, *EU quality framework for anticipation of change and restructuring,* COM(2013)0882, December 2013.

15. Single European Transport Area

Potential efficiency gain: 4.6 billion euro per year

Key proposition

Substantial progress has been made in putting in place a common transport policy within the European Union, by removing barriers, increasing competition, and improving the quality of service and safety, especially in the road, rail and air transport sectors. However, substantial further efficiency gains could be achieved from further action to create a more fully integrated transport sector. There is at present no comprehensive estimation of the cost of non-Europe in the overall transport sector. However, an assessment is being undertaken by Parliament in the form of a *Cost of Non-Europe Report*. Preliminary findings indicate that benefits from a further deepening of the single market in transport would amount to at least 3.83 billion euro per year.

More detailed analysis

The measurable potential benefits from filling the gaps in the single market for rail transport have been estimated at between 20 and 55 billion euro between now and 2035, equivalent to 1.0 billion euro per year. Integration in the road sector could bring a net benefit of 50 to 90 billion euro over the next twenty years, some 2.5 billion euro per year.

These figures are modest estimates, reflecting achieveable efficiency gains for the economy. They represent however only a small proportion of the benefits - up to 10 times the figures proposed, namely 200 billion to 550 billion euros - if further integration were to be seriously pursued in rail. Including other benefits from the improvement of the environmental sustainability of land transport, better passenger information and other initiatives could raise the total to between 300 billion and 800 billion euros by 2035. The cost of the related investment would be large, but the renewal and upgrading of all European infrastructure will need to take place sooner or later.

In the air transport sector, a progressive redistribution of intercontinental air transport growth to airports with favourable locations, could bring 15.9 billion euro savings over the next 20 years, namely some 800 million euro per year, on a cautious estimate. For the maritime transport market, the optimisation of maritime and inland logistic container routes could generate 23 billion euro of savings on transport operating costs in relation to container traffic over the next 20 years, equalling around 1.15 billion euro per year.

Further benefits expected from tapping the full potential of the tourism sector, such as efficiency gains and economic benefits from revising visa requirements and processes, package travel arrangements, further liberalisation of service provision, European labelling standards, and developing rural tourism and cultural tourism, are yet to be assessed.

The benefits from achieving these savings will be uneven across companies, groups and regions. Generally, travellers and the economy as a whole will benefit because of price reductions and more efficient transport services, but the necessary adaptations will also entail costs, which will also need to be taken into account.

Building Blocks - Potential efficiency gains in Transport by sector	Cost of Non-Europe (billion euro)
Rail transport Completing market opening; harmonising vehicle authorisation and safety certification; clarifying access charges and addressing technical barriers	1.0
Road transport Completing market-opening; harmonisation of social legislation; enforcement of rules; clarifying vehicle standards and rules on road charging; improving road safety	2.5
Air transport Completing market-opening; integration of the European air traffic management; opening of the European sky to third countries; environmental externalities; airport planning; network integration to ensure modal inter-operability	0.8
Water transport Completing market-opening; liberalisation of port regulation; reducing administrative and reporting formalities; addressing environmental externalities; network integration to ensure modal inter-operability	1.2
Tourism and passenger rights General efficiency gains; developing rural and cultural tourism; package travel arrangements; freedom of service provision; European tourism labelling standards.	*Still to be assessed*
Total so far:	**5.5 billlion**

Other estimates of the cost of non-Europe

A number of other studies already point to significant gains from targeted action in specific sectors.

In rail transport, a quantitative impact assessment[91] has estimated the net gains from further market opening, greater open tendering for public service contracts and continued unbundling to be in the range of 18 billion euro to 32 billion euro over a 17-year period from 2019 till 2034 (when the full effect can be expected). If the lower figure is retained for the purpose of a cautious estimate, this would mean average benefits in the region of 1.0 billion euro per year.

Another study has identified the economic benefits that can be expected from the revision of the institutional framework in which the European Railway Agency (ERA) operates and facilitating the creation of a Single European Railway.[92] Benefits would arise principally from savings in safety certification and rolling authorisation. It has been estimated that the benefits from shared competencies of the ERA and national supervisory authorities (NSAs) in these fields could be worth 508 million euro over the period from 2015 to 2025, or some 50 million euro per year.

[91] Steer Davies Gleave, *Further action at European level regarding market opening for domestic passenger transport by rail and ensuring non-discriminatory access to rail infrastructure and services*, Steer Davies Gleave for European Commission, November 2012.

[92] Steer Davies Gleave, *Impact assessment support study on the revision of the institutional framework of the EU railway system, with a special consideration to the role of the European Railway Agency*, Steer Davies Gleave for European Commission, June 2012.

In water transport, a European Commission impact assessment identified significant benefits are to be expected from the liberalisation of the provision of port services and the increased financial transparency of ports.[93] The reduction in total port-related costs is estimated to be around 7.0 per cent. This represents savings of about 1.0 billion euro annually.

In air transport, a 2011 study highlighted a number of problems, including less than full use of capacity at some airports and the difficulties faced by carriers trying to expand their operations at congested airports in order to provide real competition with incumbent carriers.[94] Also identified were the inadequate operation of the slot coordination process and a lack of consistency with the Single European Sky. The study estimated that a review of European slot allocation rules alone could lead to 5.0 billion euro in efficiency gains by 2025, or 334 million euro per year (over a period of 15 years from 2010 to 2025).

Furthermore, a recent study for the Commission has analysed the issue of the productivity gap in land transport of freight. This problem is due to factors such as the poor degree of liberalisation, congestion and infrastructure bottlenecks. Although these gaps are not 'monetised', the study finds that the productivity gain attainable in the road freight market is estimated at 231 tonne-km per employee, which corresponds to a reduction of the productivity gap from 36 to 10 per cent.

European Parliament position in this field

The European Parliament has stressed the importance of a single European transport area characterised by inter-connection and inter-operability, based on genuine European management of transport infrastructure and systems, and to be achieved by eliminating 'border effects' between Member States in all transport modes.

The Parliament has also made a series of recommendations in the specific sectors of road transport, shipping, air transport and rail transport - such as proposals on European airspace, a European rail regulator and the opening of national rail markets, as well as the separation of rail transport services from infrastructure.

EP resolution of 15 December 2011 on the Roadmap to a Single European Transport Area - Towards a competitive and resource efficient transport system (2011/2096 (INI)).
Rapporteur: Mathieu GROSCH (EPP Group), TRAN Committee.
Plenary vote: FOR: 523 - AGAINST: 64 - ABSTENTIONS: 37.

European Council position in this field

In its conclusions of October 2012 in the field of transport, the European Council underlined that eliminating regulatory barriers and tackling bottlenecks and missing cross-border links is essential in order to guarantee the efficient operation of the single market and promote competitiveness and growth.

[93] European Commission, *Impact Assessment accompanying the proposal for a regulation establishing a framework on the market access to port services and the financial transparency of ports*, SWD(2013)0182, May 2013.

[94] European Commission, *Impact Assessment accompanying the White Paper - Roadmap to a Single European Transport Area - Towards a competitive and resource-efficient transport system*, SEC(2011)0391, March 2011.

16. European Research Area

Potential efficiency gain: 9 billion euro per year

Key proposition

Currently, some 85 per cent of European publicly-funded research is undertaken exclusively at national level, without transnational collaboration, while only 15 per cent of funding is coordinated either in intergovernmental organisations or spent jointly in the EU's research framework programme.[95] The European Research Area (ERA) framework is intended to deepen cooperation, reducing fragmentation and duplication of research efforts. It is reasonable to assume that such deepening could lead to an efficiency gain of between 9.0 and 11 billion euro per year, between now and 2030. Work has been commissioned by the Parliament's Industry, Research and Energy (ITRE) Committee which will seek to better quantify this possibility.

More detailed analysis

The European Research Area, a political priority explicitly provided for in the Lisbon Treaty, is intended to promote the best conditions for research in Europe for all the stakeholders involved - researchers, institutes, the private sector, Member States and associate countries. However, it is still far from complete. Strengthening the ERA would mean reallocating more national funds to transnationally coordinated research.

The Commission's impact assessment estimates that the combined effect of the Barcelona target, Horizon 2020 and an increased share of transnational funding would lead to 445 billion euro of additional GDP growth and 7.2 million more jobs between now and 2030.[96] This implies annual growth of an additional 0.25 per cent of GDP. Assuming a uniform distribution of benefits over the period, the potential efficiency gain for the EU economy as a result of an integrated European Research Area can be estimated at 22.25 billion euro per year. However, on a cautious assumption that not all such gains could be easily achieved, a discount rate of one half would bring the final estimation down to around 9.0 billion euro per year.

Other studies indicate that EU-funded research activity has been characterised by considerable growth in terms of participating entities and participation across successive framework programmes, resulting in a wider set of networks, helping create critical mass in research.[97]

European Parliament position in this field

The European Parliament's Committee on Industry, Research and Energy (ITRE) has shown its interest in the European Research Area with an Oral Question to the Council and Commission in July 2013

[95] LERU, *The European Research Area: Priorities for Research Universities*, Advice Paper No 9, December 2011. LERU response to the European Commission Consultation: 'The European Research Area Framework, Untapped areas of potential' – http://www.leru.org/files/publications/LERU_AP9_ERA.pdf

[96] European Commission, Impact Assessment accompanying the Communication - *A Reinforced European Research Area Partnership for Excellence and Growth*, SWD(2012)0212.

[97] T. Roediger-Schluga and M. J. Barber, *R&D collaboration networks in the European framework programmes: data processing, network construction and selected results*, *International Journal of Foresight and Innovation Policy* 4: 321-347, 2008. Breschi and Cusmano, *Unveiling the texture of a European Research Area: emergence of oligarchic networks under EU Framework Programmes*, *International Journal of Technology Management*, Vol. 27, No 8, 2004. European Commission, *High Level Panel on the Socio-Economic Benefits of the ERA*, Final report, June 2012.

concerning the goal of completing the ERA by 2014 and the need for a stronger commitment from Member States and stakeholder organisations. In February 2014 the ITRE Committee held a public hearing on the subject. The Parliament has called for: more effective national research systems; optimal transnational co-operation and competition; an open labour market for researchers; gender equality and gender mainstreaming in research; and optimal circulation, access to and transfer of scientific knowledge.

Parliament oral questions and debate of 13 October 2013 on completing the European Research Area (B7-0503/2013 and B7-0504/2013), tabled by Amalia SARTORI on behalf of the ITRE Committee.

European Council position in this field

Recognising that Europe's future growth relies to a large extent on research and innovation, the European Council reaffirmed in March 2010 that the overall investment level for research and development should be increased to 3.0 per cent of EU GDP (the Barcelona target). In its conclusions of February 2011, the European Council called for the creation of a genuine single market for knowledge, research and innovation and for the completion of the European Research Area by 2014.

17. Improved EU donor coordination in development policy

Potential efficiency gain: 800 million euro per year

Key proposition

The European Union and its Member States have three different levels of development policy in effect: i) the Commission's supranational development policy; ii) the intergovernmental European Development Fund (EDF), which the Commission coordinates on behalf of the Member States; and iii) the individual development policies of Member States. The potential for European development aid spending is not fully exploited because of duplications and overlaps. Fragmentation and duplication of aid is widespread; competition among EU development agencies and NGOs is still evident; the impact of the EU's development action is not acknowledged or cannot be identified among the populations in beneficiary developing countries, and EU procedures are often considered cumbersome and bureaucratic by recipient countries.

These shortcomings involve significant economic and political costs. Economically, it is estimated that as much as 800 million euro (around 1.4 per cent of EU development aid) could be saved annually by improving donor coordination, thus reducing 'donor transaction costs',[98] on the basis of the current system. These savings could then be used to extend aid activities to the benefit of recipient countries (or for any other purpose). They would also help achieve the EU's commitment to increase development assistance to 0.7 per cent of its GNI. Substantially larger savings could be achieved if the three-tier approach to development aid spending were replaced by a coordinated budget.

The *Cost of Non-Europe Report* on this subject,[99] undertaken for the European Parliament's Development Committee, is available for download at:

http://www.europarl.europa.eu/thinktank/en/documents.html?word=%22donor+coordination%22&documentType=STUDIES&id=&body=EAVA&dateStart=&dateEnd=&action=submit

More detailed analysis

The calculation that up to 800 million euro per year could be saved from improved donor coordination is based on an update of a study undertaken by Bigsten et al. in 2011.[100] It shows that lack of, or ineffective, donor coordination has consequences in terms of transaction costs, uncertainty related to future aid flows and inefficient aid allocation. The effects of better coordination would most directly affect transaction costs. Key elements that contribute to the reduction of such costs are the optimisation of division of labour (by concentrating aid on fewer countries and well-designed activities) and the shifting of aid patterns from projects to budget support (entailing lower administrative costs).

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98 Transaction costs are the overhead costs associated with programming, identification, preparation, negotiation, agreement, implementation, monitoring and evaluation of aid programmes and projects – including the policies, procedures and diverse donor rules and regulations for managing such projects and programmes, translations, and adjustment to divergent fiscal periods – that may be incurred by donor and partner countries.

99 Monika Nogaj, European Added Value Unit, European Parliament, *The Cost of Non-Europe in Development Policy: increasing coordination between EU donors*, September 2013.

100 *The Aid Effectiveness Agenda: the benefits of going ahead*, which is the most comprehensive and methodologically sound estimation to date of potential savings and economic gains from a better implementation by the EU of the Paris Declaration on aid effectiveness.

The analysis estimated, firstly, how much could be saved by reducing the number of partner countries for each donor. Reducing the average number of partner countries per donor of 101 by 37 per cent (a standard variation in economics) would reduce annual administrative costs for EU donors by 498 million euro in 2012 prices. Secondly, the potential cost savings were estimated for changing the 'aid modalities', namely by shifting money from projects to programmes (which have fewer administrative costs). It was estimated that by increasing the proportion of programme-based approaches (PBAs) to 66 per cent (the Paris Declaration target), the administrative costs related to aid delivery would be reduced by 21 per cent, representing an annual cost saving of 306 million euro at 2012 prices. Thus, total savings in transaction costs resulting from concentration on fewer countries and activities for the EU27 and the Commission would be about 800 million euro per year. This is equivalent to about 1.4 per cent of total European development aid.

Other estimates of the cost of non-Europe

An earlier study by the European Commission sought to identify and measure costs of ineffective and fragmented aid and potential savings in transaction costs.[101] It looked at the costs of donor proliferation, fragmentation of aid programmes, tied aid, and volatility and lack of predictability in aid flows, as well as shortcomings in the donors' use of country public procurement systems. It suggested that annual savings could be in the range of 3.0 to 6.0 billion euro. The study did not provide a firm assessment of total savings in transaction costs. However, if the potential savings from reduction in fragmentation at country and sector levels and in activities (through a better division of labour) are added together, a figure of at least 770 million euro of savings per year is obtained.

European Parliament position in this field

The European Parliament has called on the EU and its Member States to honour their commitments under the Paris Declaration, the Accra Agenda for Action and the Busan Global Partnership for Effective Development Cooperation, the main obstacles to which are lack of political will, bureaucracy and high transaction costs. In the most recent resolution on the subject, the Parliament stressed that, by pooling the resources provided by donor countries, multilateral development organisations have the potential to increase aid effectiveness and maximise efficiency. The EP called on the EU and its Member States to fully exploit the legal provisions of the TFEU on development that call for complementarity between the EU and its Member States in development cooperation. The Parliament requests a proposal for a legal act concerning the regulatory aspects of EU donor coordination in development aid, following the adoption and implementation of a road-map of preparatory action, to cover, joint programming and division of labour at country level.

EP resolution of 11 December 2013 with recommendations to the Commission on EU donor coordination on development aid (2013/2057(INI)). Rapporteur: Gay MITCHELL (EPP Group), DEVE Committee. Plenary vote: Show of hands.

European Council position in this field

In its conclusions of June 2010, the European Council stated that the European Union should make more effective use of development resources.

[101] Bjorn Tore Carlsson, Carlos Buhigas Schubert and Sarah Robinson, *Aid Effectiveness Agenda: Benefits of a European Approach*, European Commission, 2009.

18. Company law on cross-border transfer of company seats

Potential efficiency gain: 217 million euro per year

Key proposition

Action to facilitate the freedom of establishment of companies could yield significant savings by facilitating the cross-border transfer of company registered offices. Analysis undertaken for the European Parliament suggests that the benefit could range from 439 million euro, if 1.0 per cent of firms were to move, to at least 44 million euro year, should only 0.1 per cent of firms move. The Parliament's *European Added Value Assessment* on this subject,[102] undertaken for its Legal Affairs Committee, can be downloaded at:

http://www.europarl.europa.eu/thinktank/en/documents.html?word=%2214th+company+law%22&documentType=STUDIES&id=&body=EAVA&dateStart=&dateEnd=&action=submit

Recent figures show that 1.0 per cent of additional gross domestic product (GDP) could be gained if companies were not discouraged from transferring their seats by existing complex procedures.

More detailed analysis

An EU directive on the cross-border transfer of company seats would provide a coherent solution to the current lack of freedom of movement and freedom of services that affects companies which wish to move their seat from one Member State to another. It would also bring legal certainty and simplify transfer procedures, thus saving costs. Academic analysis shows that whilst companies are using freedom of establishment to register outside the country in which they originate, the number of cross-border transfers of a company's registered office does not follow any particular trend.[103] It can be argued that this is due mainly to the costs, time and administrative burden involved. Currently, a company can normally only undertake a cross-border transfer by setting up a subsidiary in another Member State and then merging with that subsidiary. A new legal act, often referred to as the 14th company law directive, would allow companies to transfer registered offices between Member States, thereby avoiding unnecessary administrative burdens and associated costs, including unnecessary start-up costs.

An indication of the costs that would be avoided by such a measure was estimated using the results from the 'Doing Business' survey. On average, the annual cost of starting up a business in a Member State is estimated to be around 2,000 euro. Based on that figure, the minimum start-up costs avoided as a result of a directive would be: 22 million euro per year in a high scenario, in which a total of 1.0 per cent of all firms would move; 10 million euro per year in a medium scenario, in which 0.5 per cent of presently active firms would move; 2.0 million euro per year in a low scenario, in which 0.1 per cent of all firms would move. The merger costs avoided per year could also be quite considerable. The Lebrecht Group estimates the merger costs per company to be around 35,000 euro. Based on that

[102] Blanca Ballester and Micaela del Monte, European Added Value Unit, European Parliament, *European Added Value Assessment of the Directive on the cross-border transfer of a company's registered office (14th Company Law Directive)*, February 2013.

[103] S. Rammeloo, *Case C-378/10 VALE Építési Kft., Judgment of 12 July 2012, not yet reported, Freedom of establishment: cross-border transfer of company 'seat' - The last piece of the puzzle?*, *Maastricht Journal of EU Law*, http://www.maastrichtjournal.eu/table_of_content.aspx?sy=2012&pn=4

figure, the indicative costs avoided in the medium scenario would be in the order of 200 billion euro per year in the form of start-up costs (if a new company has to be created) and merger costs avoided. More precisely: under the high scenario, in which a total of 1.0 per cent of all firms would move, the costs avoided would be 417 million euro per year; under the medium scenario, in which 0.5 per cent of firms would move, the costs avoided would be 207 million euro per year; and under the low scenario, in which 0.1 per cent of all firms would move, the costs avoided would be 42 million euro per year.

Building Blocks - Efficiency gains from promoting cross-border transfer of company seats	Cost of Non-Europe (million euro)
Minimum start-up costs	10
Merger costs	207
Total:	**217 million**

Other estimates of the cost of non-Europe

In 2007, the European Commission published an impact assessment on a prospective directive on this issue[104] (the idea of which it had included in its annual work programme for that year). The document presented the advantages and disadvantages of action in this field. The Commission concluded that there was no need for action at EU level. In early 2013, the Commission launched a detailed public consultation on the matter,[105] with 28 companies and 58 other organisations (both public and private) providing responses to questions on the costs currently faced by companies transferring their registered offices abroad and on the range of benefits that could be brought by the EU action. The answers varied considerably and there was no follow-up since their publication in September 2013.

European Parliament position in this field

The European Parliament considers that cross-border company migration is one of the crucial elements in the completion of the single market. It has repeatedly called on the Commission to submit a proposal for a directive to facilitate the cross-border transfer within the European Union of companies' registered offices. It notes that there would be more legal certainty in this element of company law, if it were established by a legal act and not only the jurisprudence of the European Court of Justice. The Parliament thus calls for a proposal for a Directive on the cross-border transfer of company seats, following the detailed recommendations set out in the Annex I of its resolution of 2 February 2012.

EP resolution of 2 February 2012 with recommendations to the Commission on a 14th company law directive on the cross-border transfer of company seats (2011/2046(INI)).
Rapporteur: Evelyn REGNER (S&D Group), JURI Committee.
Plenary vote: Show of hands.

EP resolution of 10 March 2009 with recommendations to the Commission on the cross-border transfer of the registered office of a company (2008/2196(INI)).
Rapporteur: Klaus-Heiner LEHNE (EPP Group), JURI Committee.
Plenary vote: FOR: 608 - AGAINST: 51 - ABSTENTIONS: 13.

104 http://ec.europa.eu/internal_market/company/docs/shareholders/ia_transfer_122007_part1_en.pdf
105 http://ec.europa.eu/internal_market/consultations/2013/seat-transfer/index_en.htm

19. EU codification of private international law

Potential efficiency gain: 98 million euro per year

Key proposition

Private international law (PIL) matters affect mostly citizens who have personal links with at least two different Member States. It is estimated that around 3.2 per cent of the entire European population were born in a Member State other than the one in which they currently reside, and that around 4.0 per cent of the population is involved in cross-border activities and relationships that involve the law of more than one Member State. For these 20 million European citizens, the lack of a harmonised European approach to private international law can be costly. It has been estimated that the codification of private international law could result in savings of at least 98 million euro per year, mainly to individual citizens and small and medium-sized enterprises.

The European Parliament's recent *Cost of Non-Europe Report* on this subject,[106] undertaken for its Legal Affairs Committee, is available for download at:

http://www.europarl.europa.eu/thinktank/en/documents.html?word=%22Private+International+law%22&documentType=STUDIES&id=&body=EAVA&dateStart=&dateEnd=&action=submit

More detailed analysis

The Parliament's research so far covers 13 areas (see table below), which correspond to identified gaps or missing links that relate directly to citizens' day-to-day lives which are in effect currently unregulated at European level. In some cases, there is absolutely no European private international law in place on the matter at all, whilst in some other instances there is an absence of coverage of the applicable law, or the jurisdiction, or the recognition of judgements.

When attempting to quantify the cost of the current situation, the following categories of impact on citizens and society were considered:

- costs to the operation and conduct of business;
- administrative costs;
- legal costs;
- social (emotional) costs incurred by individuals and households for the inconvenience, loss of well-being and stress potentially caused. For simplicity, the emotional costs have been assumed to be twice those of any legal costs incurred by the relevant gap in PIL;
- wider economic costs, driven primarily by the uncertainty and inconvenience described above arising from business, legal and administrative costs which create a barrier to the movement of people, goods and services in the internal market.

The wider economic costs are based on the Commission's own estimates of the benefit of the single market achieved by 2008 in billion euro. Assuming that similar rates of benefit can be generated from the single market (2012-20), and on the basis that PIL may have a marginal 1.0 per cent impact on the achievement of this benefit, it has been possible to estimate the monetary value of this potential.

[106] Blanca Ballester, European Added Value Unit, European Parliament, *European Code on Private International Law: Cost of Non-Europe Report,* June 2013.

The calculation of the costs has been made by summing up the volume of economic activity per sector, then assuming a small percentage of problematic cases (those in which legal assistance is required), even though in reality such cases might be more numerous, and finally calculating the cost per problematic case for each one of the missing links identified.

Building-Blocks - Missing links in private international law at European level	Cost of Non-Europe (million euro per year)
Legal capacity	7.5
Incapacity	16.8
Names and forenames	2.0
Recognition of de facto unions	8.7
Recognition of same-sex marriages	4.2
Parent-child relationships	19.3
Adoption decisions	1.6
Maintenance of de facto unions	13.1
Gifts and trusts	5.6
Movable and immovable property	5.6
Agency	14
Privacy	1.0
Corporations	38.3
Total:	**137.7 million**

The aggregated cost of non-Europe is calculated to be around 138 million euro a year for European citizens. As mentioned above, this figure includes emotional costs, which are calculated to be around 40 million euro per year. These latter costs are not retained for the purpose of this paper. As a result, the total cost of gaps in PIL is considered to be at least 98 million euro per year.

European Parliament position in this field

The European Parliament has pointed to the necessity of complementing and consolidating existing legislation in the field of private international law and calls specifically for the adoption of a European code of private international law.

EP resolution of 2 April 2014 on the mid-term review of the Stockholm Programme (2013/2024(INI)).
Co-Rapporteurs: Luigi BERLINGUER (S&D Group), JURI Committee / Carlo CASINI (EPP Groups), AFCO Committee / Juan Fernando LÓPEZ AGUILAR (S&D Group), LIBE Committee.
Plenary vote: FOR: 367 - AGAINST: 85 - ABSTENTIONS: 29.

EP resolution of 23 November 2010 on Civil, commercial, family and private international law aspects of the action plan implementing the Stockholm Programme (2010/2080(INI)) .
Rapporteur: Luigi BERLINGUER (S&D Group), JURI Committee.
Plenary vote: Show of hands.

20. Improved operation of the European Arrest Warrant

Potential efficiency gain: 43 million euro per year

Key proposition

In a resolution adopted in February 2014, the European Parliament argued that, although the European Arrest Warrant (EAW) was generally recognised as a successful instrument in helping to ensure that criminals were brought to justice, its practical implementation could be improved, especially in respect of certain unnecessary financial costs to national authorities. The Parliament has recently assessed these costs to be around 215 million euro during the period between 2005 and 2009, or approximately 43 million euro per year.

The European Parliament's recent *European Added Value Assessment*,[107] undertaken for its Committee on Civil Liberties and Justice and Home Affairs (LIBE), is available for download from:

http://www.europarl.europa.eu/thinktank/en/documents.html?word=%22The+European+Added+Value+of+Revising+the+European+Arrest+Warrant%22&documentType=STUDIES&id=&body=EAVA&dateStart=&dateEnd=&action=submit

More detailed analysis

Assuming that the unit cost of enforcing an EAW is approximately 20,000 euro, the estimated total cost of implementing the EAWs executed within the EU between 2005 and 2009 would be just over 232 million euro for the EU as a whole. The Commission's 2011 implementation report stated that, between 2005 and 2009, 54,689 EAWs were issued, of which only 11,630 were executed.[108] However, the fact that almost three-quarters (43,059) of incoming EAWs were not executed does not mean that certain costs - relating to the police, judicial authorities and sometimes pre-detention - were not generated. In which case, based on a cautious approach and assuming a minimum unit cost of 5,000 euro, the estimated cost of non-executed EAWs, some based on abuse or misuse, between 2005 and 2009, would be just above 215 million euro for the EU as a whole, equivalent to 43 million euro per year. This rough estimate does not include the economic costs to individuals, which have to be taken into consideration, such as lost working days, legal costs, and emotional costs. Any measures that could significantly reduce the non-execution rate would lead both to a more effective criminal justice system and to an efficiency gain in the European economy.

Other estimates of the cost of non-Europe

Unfortunately, comprehensive estimates of the costs of administering the EAW system across the EU are not currently available. However, the UK government has estimated that the unit cost of executing an incoming EAW is approximately 20,000 pounds sterling.[109] This figure includes the costs to the police, the Crown Prosecution Service, and court and legal-aid costs, as well as those of detention before extradition. On this basis, the estimated cost to the UK of implementing the 999 incoming EAWs it received in 2011 would be just under 20 million pounds (approximately 24 million euro). In addition, there would have been costs associated with the 5,761 EAWs that did not lead to surrender,

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[107] Micaela del Monte, European Added Value Unit, European Parliament, *Revising the European Arrest Warrant: European Added Value Assessment*, March 2014.

[108] European Commission, *Implementation since 2007 of the Council Framework Decision of 13 June 2002 on the European Arrest Warrant and the surrender procedures between Member States*, 2011. COM(2011)175,

[109] Data source: http://www.publications.parliament.uk/pa/cm201314/cmselect/cmhaff/615/61504.htm

but would nevertheless have impacted on the judicial system. Although such data cannot be extended to all other Member States on a simple linear basis, they provide a sample of the average unit cost that may be involved.

The sensitive field of detention conditions is an important issue, as it is closely linked to the practical implementation of the EAW. Owing to the flight-risk, non-resident suspects are often remanded in custody, whereas residents often benefit from alternative measures. If correctly implemented, some of the recommendations included in the recently-adopted EP resolution on the review of the European Arrest Warrant could reduce pre-trail detention cases. A recent Commission evaluation estimates that a month of pre-trial detention in Europe costs around 3,000 euro.[110]

European Parliament position in this field

The European Parliament firmly believes that it is crucial to ensure a streamlined process of extradition, which does not infringe fundamental rights. It considers that coherence and consistency within EU criminal justice area can only be ensured by taking a multi-level and integrated approach, including different mutual recognition instruments. This might represent a significant political challenge, but is considered necessary if the EAW system is to operate fairly and effectively.

In this context, the Parliament has called for: i) on the basis of Article 82 TFEU, legislative proposals following the detailed recommendations set out in the Annex I of its resolution of 27 February 2014 on the review of the European Arrest Warrant; ii) a legislative proposal revising the Schengen Information System II; iii) a legislative proposal providing for legal mechanisms to compensate damage arising from miscarriage of justice relating to the operation of mutual recognition instruments; iv) a proposal facilitating the setting up of a specific EAW Judicial Network and a network of defence lawyers working on EU criminal justice and extradition matters; and v) a legislative proposal to improve standards of detention conditions, including conditions of pre-trial detention.

European Parliament resolution of 27 February 2014 with recommendations to the Commission on the review of the European Arrest Warrant.
Rapporteur: Sarah LUDFORD (ALDE Group), LIBE Committee.
Plenary vote: FOR: 495 - AGAINST: 51 - ABSTENTIONS: 11

[110] European Commission, *Impact Assessment Accompanying the Proposal for Measures on Legal Aid for Suspects or Accused Persons in Criminal Proceedings*, SWD(2013)476 final, November 2013.

21. Codification of passenger rights

Potential efficiency gain 89 million euro per year

Key proposition

An important part of the common transport policy has been efforts to codify and standardise the rights of passengers across the European Union. However, despite significant advances in this field, serious gaps remain. At the request of the European Parliament's Committee on Transport and Tourism, a *Cost of Non-Europe Report* is now being drawn up, in an attempt to identify and quantify the detailed costs related to the complexity of the current framework and the benefits that can be expected from the systematisation, clarification and consolidation of passenger rights into one single code. Although the final report will only be available in autumn 2014, the preliminary results of this research suggest that filling the most important gaps in passenger rights could result in savings of at least 89 million euro annually.

More detailed analysis

The *Cost of Non-Europe Report* now being drafted first identifies the current gaps and inconsistencies in the protection of the ten core passengers' rights[111] across the different transport modes (air, rail, water and road transport). On this basis, the report will quantify the economic costs arising from the issues related to these shortcomings, as well as from the fragmentation of current EU passenger rights' legislation. These costs include: legal costs related to complaint-handling and litigations; costs in time lost because of delays, cancellations and non-optimal intermodal connections; and costs from the lack of access to transport for people with disabilities. In addition, such problems may create emotional stress to the passengers, which can also be regarded as a cost, albeit this might be difficult to measure in monetary terms. These costs are then examined in the context of information, transparency, enforcement, liability, inter-modality, and the needs of people with disabilities or reduced mobility.

As regards enforcement, lack of transparency and complex procedures increase the duration of complaint-handling and therefore result in a loss of time. The report estimates the time which is wasted due to the inefficiencies resulting from legal shortcomings. Based on this assumption and on the estimate of the value of time currently needed for complaint-handling procedures, the report suggests that as much as 80 million euro per year could be saved in this area if passenger rights were to be clarified and consolidated, and thus made more transparent. The cost of non-Europe in the area of fragmented inter-modality has also been calculated. The suggested gains here are at about 9.0 million euro per year. Other costs are still being analysed.

European Parliament position in this field

The European Parliament has pointed to the need for greater convergence between the different legislation in the four transport areas (air, rail, water and road transport). A much more holistic

[111] 1) Right to non-discrimination in access to transport. 2) Right to mobility. 3) Right to information. 4) Right to renounce travelling in case of disruption. 5) Right to the fulfilment of the transport contract in case of disruption. 6) Right to assistance in case of delay or cancellation. 7) Right to compensation under certain circumstances. 8) Right to carrier liability towards passengers and their baggage. 9) Right to a quick and accessible system of complaint handling. 10) Right to full application and effective enforcement of EU law.

approach is needed to integrate all passenger rights into one comprehensive, consolidated legislative framework, so as to draw up a single, cross-cutting passenger rights regulation in the medium term.

The Parliament has called on the Commission to prepare a common frame of reference (CFR) for passenger law, containing principles, definitions and model rules for passenger legislation for all modes of transport, in order to form a basis for the further consolidation of passenger law. The main problem areas of passenger rights to be addressed in this respect are information, transparency, enforcement, liability, inter-modality, and the needs of people with disabilities or reduced mobility.

EP resolution of 23 October 2012 on passenger rights in all transport modes (2012/2067(INI)).
Rapporteur: Georges BACH (EPP), TRAN Committee.
Plenary vote: Show of hands.

EP resolution of 29 March 2012 on the functioning and application of established rights of people travelling by air (2011/2150(INI)).
Rapporteur: Keith TAYLOR (Greens), TRAN Committee.
Plenary vote: FOR: 509 - AGAINST: 20 - ABSTENTIONS: 53.

22. Water legislation

Potential gains to be assessed

Key proposition

The effective use and management of water is an increasingly important part of an efficient and environmentally sustainable economy and society. Currently, some 20 per cent of water in the EU is lost due to inefficiency, while as much as 70 per cent of water supplied to cities may be wasted. With the Water Framework Directive's (WFD) entry into force in 2000, the EU set itself long-term and ambitious objectives for managing and improving its entire aquatic environment, and laid down requirements for integrated and transparent river-basin management.

At the request of European Parliament's Committee on the Environment, Public Health and Food Safety, research is currently being undertaken to assess the implementation of EU water policies and to identify and quantify the economic and social costs of the various failings in the current situation, and to analyse the feasibility and benefits of further action in this field. The research will be structured along the lines of five topical issues related to the water policy to identify concrete building-blocks for future action to realise efficiency gains: programmes of measures, reuse of waste water, eco-design and water metering, economic Instruments, and pharmaceutical residues.

More detailed analysis

Less than a year away from the deadline for achieving the general objective of the WFD - namely, achieving 'good' status for all water bodies - the challenge faced by the EU and its Members States remains immense. Around half of the water bodies are expected to remain below 'good', and the use of derogations has become common practice.[112] In many cases, it is unlikely that the 'good' status can be achieved by 2027, the last possible deadline, by only relying on existing national and EU measures.

New environmental pressures, namely changes to the morphology and connectivity of water bodies and excessive water abstractions, have been identified as having significant impact on water status, in addition to chemical pollution, which was the main focus of the EU's water protection before the establishment of the WFD and remains a leading reason for poor water quality. Existing EU legislation in this field needs to be better implemented and adapted to take account of new environmental pressures and technological advances, notably enabling greater reuse and recycling of wastewater.

European Parliament position in this field

While the European Parliament considers the existing Water Framework Directive (WFD), 2000/60/EC, to be a solid basis for long-term integrated water management in the EU, it notes that its implementation needs to be improved significantly, in order to achieve 'good' status throughout European waters by 2015.

The Parliament has therefore called on the Commission to update and adapt existing legislation to water policy priorities, to address the impact of specific sectors and activities, to take account of

[112] Derogations have been introduced in Articles 4.3, 4.4. 4.5, 4.6 and 4.7 of the WFD and cover cases of artificial or heavily modified bodies of water, extension of deadlines, setting less stringent objectives, temporary failure to meet the objectives and over-riding public interests, and set certain conditions for their application.

technological advances for the reuse and recycling of water, in order to allow efficient reuse of treated waste-water and grey-water, and to ensure that various activities producing significant amounts of water-waste are duly covered by the Environmental Impact Assessment Directive. The Parliament has also encouraged the adoption of an EU policy on water shortages and droughts.

EP resolution of 3 July 2012 on the implementation of EU water legislation (2011/2297(INI)).
Rapporteur: Richard SEEBER (EPP Group), ENVI Committee.
Plenary vote: Show of hands.

23. European mutual society

Potential gains to be assessed

Key proposition

The establishment in law of the concept of a 'European mutual society' would allow the cross-border transfer and grouping of existing national mutual societies, which currently need to overcome significant obstacles in order to exercise freedom of establishment or provide services outside their national jurisdictions. This option would offer much greater legal certainty and the possibility of realizing economies of scale, thus promoting mutualism as a corporate model that would be able to operate across national boundaries within the EU.

At the request of the European Parliament's Legal Affairs Committee, a *European Added Value Assessment* has recently been drawn up on this subject.[113] It is available for download at:

http://www.europarl.europa.eu/thinktank/en/documents.html?word=%22European+Mutual+Societies%22&documentType=STUDIES&id=&body=EAVA&dateStart=&dateEnd=&action=submit

More detailed analysis

Mutual societies provide *inter alia* health-care, insurance and social services to some 230 million European citizens and employ over 350,000 people. A legal statute for European mutual societies would provide a clear and uniform regime for the sector, promote competition and widen choice for consumers, increase market diversification, and potentially make insurance markets stronger in the face of future crises. The full scale of potential efficiency gains has yet to be assessed.

European Parliament position in this field

The European Parliament considers that the concept of a European mutual society should be established in law, available as an option for mutual societies that wish to operate across national boundaries. Detailed recommendations have been made in relation to the objectives and scope of a proposal and to the future governance of such societies. The Parliament considers it regrettable that the European Commission, having withdrawn its proposal for a statute for a European mutual society in 2006, has not put forward any new proposals since. The Commission's stakeholder consultation on the results of a study on the 'current situation and prospects of mutuals in Europe'[114] suggested that there is strong support among respondents for the possibility of being able to incorporate as a European mutual society. The Parliament therefore believes that the Commission should submit, on the basis of Articles 352 and/or possibly 114 TFEU, new proposals in this field.

EP resolution of 14 March 2013 on the Statute for a European mutual society (2012/2039(INI)).
Rapporteur: Luigi BERLINGUER (S&D Group), JURI Committee.
Plenary vote: Show of hands.

EP declaration of 10 March 2011 on establishing European statuses for mutual societies, associations and foundations.[115]
Signed by 386 MEPs.

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[113] Blanca Ballester, European Added Value Unit, European Parliament, *A Statute for European Mutual Societies: European Added Value Assessment*, January 2013.

[114] http://ec.europa.eu/enterprise/policies/sme/files/mutuals/prospects_mutuals_fin_en.pdf

[115] OJ C 199 E, 7.7.2012, p. 187

24. EU Law of Administrative Procedure

Potential gains to be assessed

Key proposition

A single, general 'Law of Administrative Procedure' at EU level would contribute to a more efficient Union administration and potentially bring about cost savings, as clear and consistent standards for the interaction of the EU institutions with the general public should reduce burdens and save time and money for citizens, as well as reducing the volume of litigation, improving resource efficiency, and helping rationalise IT systems and e-Government services. Overall potential savings are significant, but difficult to assess at present.

At the request of the European Parliament's Legal Affairs Committee, a *European Added Value Assessment* was undertaken in 2012 on this issue.[116] It is available for download at:

http://www.europarl.europa.eu/thinktank/en/documents.html?word=%22Law+of+administrative+procedure%22&documentType=STUDIES&id=&body=EAVA&dateStart=&dateEnd=&action=submit

More detailed analysis

In the e-government field, the European Commission has noted separately that the potential gains stemming from the rationalisation of fragmented IT systems for communication with the general public would be significant, offering savings of more than 2.0 million euro over four years. An overall figure, quantifying the impacts (direct and indirect) over the short and long term, is not yet available.

European Parliament position in this field

The European Parliament has called on the European Commission to submit, on the basis of Article 298 TFEU, a proposal for a regulation on a European Law of Administrative Procedure, which would aim to guarantee the right to good administration - which is open, efficient and independent - within the Union's institutions, bodies, offices and agencies. It would codify the fundamental principles of good administration and regulate the procedure to be followed by the Union's administration when handling individual cases to which a natural or legal person is a party, and other situations where an individual has direct or personal contact with the Union's administration, and it would include a universal set of principles and lay down a procedure applicable as a *de minimis* rule where no *lex specialis* exists.

EP resolution of 15 January 2013 with recommendations to the Commission on a Law of Administrative Procedure of the European Union (2012/2024(INI)).
Rapporteur: Luigi BERLINGUER (S&D Group), JURI Committee.
Plenary vote: FOR: 572 votes - AGAINST: 16 - ABSTENTIONS: 12.

[116] Monika Nogaj, European Added Value Unit, European Parliament, *Law of Administrative Procedure of the European Union: European Added Value Assessment,* November 2012.

25. Cross-border voluntary activity within the EU

Potential gains to be assessed

Key proposition

The process of volunteering has a positive effect on economic growth. Estimates for 13 Member States indicate that the average contribution to the overall economy of volunteering in the sports sector alone amounts to around 0.82 per cent of GDP, resulting in a gain of approximately 83 million euro per annum.[117] The more systematic promotion of volunteering at European level could thus help boost EU GDP. The European Parliament is looking at ways of deepening this agenda.

More detailed analysis

A *European Added Value Assessment* is being undertaken in the European Parliament, at the request of its Committee on Culture and Education, to identify the potential benefits of greater cross-border voluntary activity for the European economy, with preliminary results expected in autumn 2014. The study will seek to identify the existing legal, administrative and other barriers that prevent volunteering from delivering its full potential, quantify the cost of non-action, and examine the legislative actions already requested in Parliament reports, in the light of follow-up given so far by the Commission.

Other estimates of the cost of non-Europe

The European Volunteer Centre's 2006 *Manifesto for Volunteering in Europe* estimated the economic value of volunteering in the UK at more than 65 billion euro per year, or 7.9 per cent of GDP.[118] It suggested that for every euro of public funding spent to support volunteering, volunteers generated 30 euro worth of work. Estimates for Poland indicate that the added value of volunteering in that Member State amounted to 124 million euro in 2004. A study published by the Johns Hopkins' Comparative Non-Profit Sector Project revealed that in many countries, volunteer workers represent the equivalent of 3.0 to 5.0 per cent of the economically-active population. It estimated that, in the 37 countries studied, they contributed 400 billion dollars to the global economy, representing an average of 1.0 per cent of GDP.

European Parliament position in this field

The European Parliament has stressed that ease of access to volunteering - as regards cost, availability of information and infrastructure, and provision of liability and accident insurance cover - is essential if volunteering is to be promoted among all age groups. As an active method of building civil society, volunteering can contribute to the development of intercultural dialogue and play a major role in combatting prejudice and racism. The Parliament has asked the European Commission to set up a European Volunteering Development Fund, in order to ensure that appropriate support infrastructure is put in place, and to further investigate the feasibility of an EU Statute for Voluntary Organisations.

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[117] GHK, *Volunteering in the European Union*, 2010, available at: http://ec.europa.eu/citizenship/about-the-europe-for-citizens-programme/studies/index_en.htm

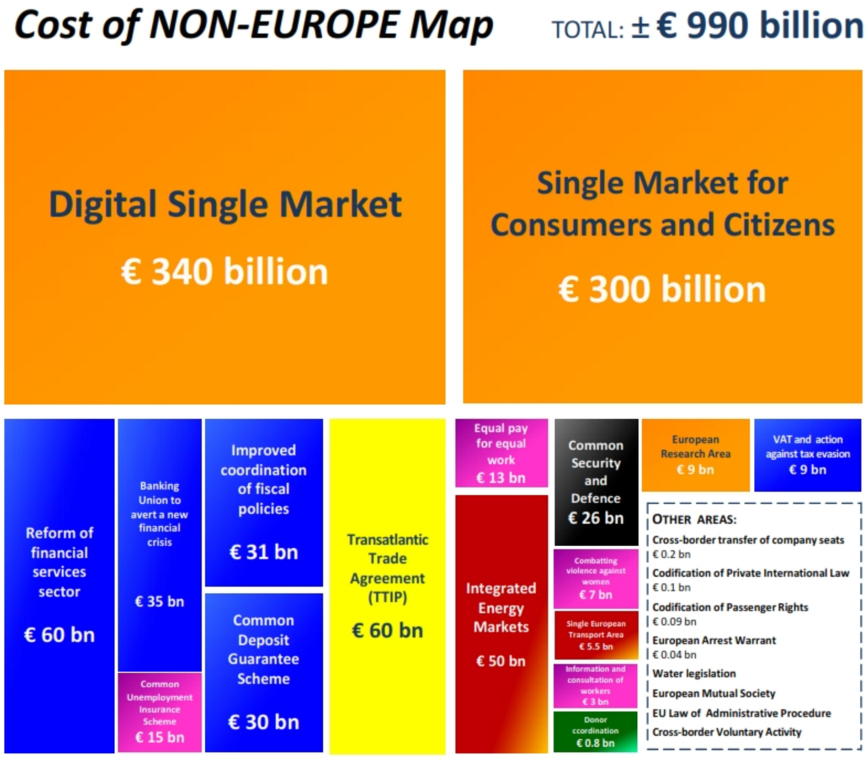
[118] European Volunteer Centre, *Manifesto for Volunteering in Europe*, 2006.

The Parliament has called for: i) a legislative proposal for a European Statute for Associations to give them the legal framework within which to operate, reduce administrative costs associated with cross-border volunteering activities and establish voluntary structures at a EU level to encourage mobility of volunteers in the EU; ii) a single point of contact in the form of a service with the responsibility for volunteering policy; and iii) a volunteering policy to foster dialogue and cooperation between stakeholders in the various Member States.

EP resolution of 10 December 2013 on volunteering and voluntary activity in Europe (2013/2064(INI)).
Rapporteur: Marco SCURRIA (EPP Group), CULT Committee.
Plenary vote: FOR: 565 - AGAINST: 104 - ABSTENTIONS: 13.

Cost on Non-Europe by policy area (billion euro per year)

	Policy area	Initial calculation - March 2014	Updated calculation - July 2014
Current work: Policy areas where potential efficiency gains have so far been assessed			
1	Digital Single Market	260,000	**340,000**
2	Delivering and completing existing Single Market	235,000	**300,000**
3	Banking Union and averting a new financial crisis	35,000	35,000
4	Completing reform of financial services sector	60,000	60,000
5	Common minimum unemployment insurance scheme for the euro area	15,000	15,000
6	Improved coordination of fiscal policies	31,000	31,000
7	Common deposit guarantee scheme	30,000	30,000
8	Common Security and Defence Policy (CSDP)	26,000	26,000
9	Transatlantic Trade Agreement (TTIP)	60,000	60,000
10	Integrated energy markets	50,000	50,000
11	Equal pay for equal work	13,000	13,000
12	VAT and action against tax evasion	7,000	**9,000**
13	Combating violence against women	7,000	7,000
14	Information and consultation of workers	3,000	3,000
15	Single European Transport Area	2,500	**5,500**
16	European Research Area	1,000	**9,000**
17	Improved EU donor coordination in development policy	800	800
18	Company law on cross-border transfer of company seats	200	200
19	EU codification of private international law	100	100
Future work: Policy areas where potential efficiency gains are still to be assessed			
20	Improved operation of European Arrest Warrant	-	**40**
21	Codification of passenger rights	-	**90**
22	Water legislation	-	-
23	European Mutual Society	-	-
24	EU Law of Administrative Procedure	-	-
25	Cross-border voluntary activity within the EU	-	-
	Total Cost of Non-Europe	**836,600**	**994,730**



This study brings together work in progress on a long-term project to identify and analyse the 'cost of non-Europe' in a number of policy fields. This concept, first pioneered by the European Parliament in the 1980s, is used here to quantify the potential efficiency gains in today's European economy from pursuing a series of policy initiatives recently advocated by Parliament - from a wider and deeper digital single market to better coordinated national and European policies for defence and development. The benefits may be measured in additional GDP generated or a more rational use of public resources. The latest analysis suggests that the European economy could be boosted by some 990 billion euro per year - or 7.5 per cent of current GDP - by such measures over time. The study is intended as a contribution to the growing discussion about the European Union's policy priorities over the coming five-year institutional cycle, from 2014 to 2019.

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