

# EUROPEAN PARLIAMENT

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*Committee on Regional Development*

**2006/0042(COD)**

19.12.2006

## **OPINION**

of the Committee on Regional Development

for the Committee on Economic and Monetary Affairs

on the proposal for a regulation of the European Parliament and of the Council establishing common rules for the provision of basic information on Purchasing Power Parities and for their calculation and dissemination (COM(2006)0135 – C6-0100/2006 – 2006/0042(COD))

Draftsman: Gerardo Galeote

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## SHORT JUSTIFICATION

Purchasing Power Parities (PPPs) are currency conversion rates that both convert to a common artificial currency (Purchasing Power Standards, PPS) and equalise the purchasing power of different currencies. In other words, they eliminate the differences in price levels between countries in the process of conversion, and allow meaningful pure volume comparison of GDP and its aggregates between countries. Even after the launch of the euro, it is still necessary to calculate PPPs since the euro has different purchasing power in the individual euro-zone countries, depending on national price levels.

PPPs are economically and politically vital indicators for the EU. For the period 2007-2013 they will be used for the Structural Funds and as compulsory benchmarks for the Cohesion Fund. The Commission has a statutory responsibility for calculating GDP on a purchasing power basis. However, the Member States have at the moment no legal obligation to co-operate. In the proposal for a regulation the Commission through Eurostat is to be responsible for coordinating the basic information, calculating and publishing PPPs and adjusting methodology in consultation with Member States. Member States are to provide basic information, issue written certification of the survey results and ensure the validity of the data provided.

The draftsperson stresses the need for an extra effort to increase the efficiency of the EU's statistical apparatus, both technically and in terms of human resources. Co-ordination between Eurostat and national statistic institutions should be strengthened to increase the efficiency and accuracy of statistics collected. The draftsperson is concerned that, which is also noted in the opinion by the European Economic and Social Committee<sup>1</sup>, the Commission (Eurostat) calculates PPPs *by countries*, and not by regions. These calculations are, however, used to evaluate the economic performance of regions. Regional differences, within Member States, in prices of goods and services are not rare. It is, therefore, crucial that Member States make economic and technical efforts to ensure that spatial correction coefficients reflect geographical differences in prices, as precisely as possible.

A legal framework for the calculation of PPPs is currently absent, and the proposed Regulation fills this legal vacuum in a satisfying way. Given the need for binding rules that define the competences of the Commission and the Member States and to give the work statutory basis, the Commission Proposal for a Regulation is to be welcomed.

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<sup>1</sup> ECO/184 - CESE 1149/2006; Information on Purchasing Power Parities.

## AMENDMENTS

The Committee on Regional Development calls on the Committee on Economic and Monetary Affairs, as the committee responsible, to incorporate the following amendments in its report:

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Text proposed by the Commission<sup>1</sup>

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Amendments by Parliament

### Amendment 1 Recital 1

(1) In order to obtain a comparison of Gross Domestic Product (GDP) in volume terms between Member States, there is an essential need for the Community to have Purchasing Power Parities (PPPs) which reflect the differences in the level of prices between Member States

(1) In order to obtain a comparison of Gross Domestic Product (GDP) in volume terms between Member States, there is an essential need for the Community to have Purchasing Power Parities (PPPs) which reflect the differences in the level of prices between Member States, ***since, in international GDP and price comparisons, any mistakes in the basic data relating to any one country can distort the overall results.***

### *Justification*

*Ideally, PPP comparisons provide results that reveal differences in the collection of national accounts and are not influenced by differences in the volume measurement of items. Due to differences in consumption patterns and price levels between countries, in principle, a maximum of prices should be collected for establishing solid PPPs that correctly measure relative price development in countries.*

### Amendment 2 Recital 1 a (new)

***(1a) The Commission has traditionally calculated PPPs by country and, given that there are often regional differences in the prices of goods and services, extra effort is needed to ensure that the PPPs calculated***

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<sup>1</sup> Not yet published in OJ.

*likewise reflect regional price differences, including the regional variations in prices seen in the outermost regions, northern regions and sparsely populated regions.*

*Justification*

*Continuing in the same vein as the draftsman's text, the purpose of the addition is to enable the methods used to calculate PPPs to be geared to the ORs, northern regions, and/or sparsely populated regions, which are subject to particularly severe permanent constraints (e.g. remoteness from the European mainland) that directly affect the price of goods*

Amendment 3  
Recital 2 a (new)

***(2a) For the purpose of calculating Community PPPs proper coordination between Eurostat and national statistical institutions should be ensured.***

*Justification*

*Co-ordination between Eurostat and national statistic institutions should be strengthen to increase the efficiency and accuracy of statistics collected.*

Amendment 4  
Recital 7

(7) The measures necessary for the implementation of this Regulation should be adopted in accordance with Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission.

(7) The measures necessary for the implementation of this Regulation should be adopted in accordance with Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission. ***Article 8 of Decision 1999/468/EC should be strictly applied.***

*Justification*

*Legal clarification to enable Parliament to be involved more actively in decision-making and the implementation of the measures needed to enforce the regulation*

Amendment 5  
Article 2, paragraph 1, subparagraph 2

That basic information shall include prices, GDP expenditure breakdown and other data as listed in Annex I.

That basic information shall include prices, ***allowing for any regional differences, the*** GDP expenditure breakdown and other data as listed in Annex I.

*Justification*

*The Commission (Eurostat) calculates PPPs by country and not by region. Given that there could be very marked regional variations within the same economic area, calculation on that basis might produce misleading results*

Amendment 6  
Article 4, paragraph 1, points (d) and (e)

(d) developing methodology, in consultation with Member States;

(e) ensuring that the Member States have the opportunity to comment on PPP results prior to publication and that the Commission (Eurostat) takes due account of any such comment.

(d) developing methodology ***applicable at national and regional level***, in consultation with Member States ***and taking into account the views of the appropriate regional partners, including specific methodology to be applied to the outermost regions, northern regions, and regions with a low population density, in accordance with the relevant provisions of the Treaty***;

(e) ensuring that the Member States ***and the appropriate regional partners*** have the opportunity to comment on PPP results prior to publication and that the Commission (Eurostat) takes due account of any such comment;

*Justification*

*The purpose of the addition is to enable the methodologies used to calculate PPPs to be geared to any regional situations differing from the overall national situation.*

Amendment 7  
Article 4, paragraph 1, point (e a) (new)

***(ea) ensuring transparency and providing the European Parliament with information on the calculation of PPPs.***

*Justification*

*PPPs are economically and politically vital indicators for the EU. The Commission proposal states that the setting-up of a legal basis for PPPs should improve the transparency, timeliness and quality of the entire process of PPP production. It is of vital importance that transparency and appropriate information flow to the European Parliament is ensured.*

Amendment 8

Article 4, paragraph 2, subparagraph 1

2. Member States shall follow the procedure set out in Annex I when providing basic information.

2. Member States shall follow the procedure set out in Annex I when providing basic information ***and shall take account of regional differences within the Member States in prices of goods and services so as to prevent distortions in the calculation of PPPs.***

*Justification*

*See justification for amendment 1 and 2.*

Amendment 9

Annex 1, part 2, section 2.1, table, entry 5

Prices of consumer goods and services and related representativity indicators: **3 years**

Prices of consumer goods and services and related representativity indicators: **2 years**

*Justification*

*Given that prices vary constantly (that is to say, more than once every three years), the updating of the basic information has to be made more effective. To offset that need, data collection and supply procedures must not be overburdened with red tape.*

Amendment 10

Annex 1, part 3, section 3.1

3.1 Notwithstanding the provisions

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contained in Article 2(2), data collection may be limited to one or more locations within the economic territory. Such data may be used for PPP calculations provided that they are accompanied by appropriate spatial adjustment factors. These shall be used to adjust survey data in these locations to those representative of the national average.

contained in Article 2(2), data collection may be limited to one or more locations within the economic territory. Such data may be used for PPP calculations provided that they are accompanied by appropriate spatial adjustment factors ***and information on prices of consumer goods and services and related representativity indicators***. These shall be used to adjust survey data in these locations to those representative of the national average.

#### *Justification*

*This degree of detail is essential, as PPP calculations might otherwise produce misleading results based on information obtained without taking sufficient account of prices of goods and services in the location(s) in the economic territory to which the calculations related.*



## PROCEDURE

<b>Title</b>	Proposal for a regulation of the European Parliament and of the Council establishing common rules for the provision of basic information on Purchasing Power Parities and for their calculation and dissemination
<b>References</b>	(COM(2006)0135 – C6-0100/2006 – 2006/0042(COD))
<b>Committee responsible</b>	ECON
<b>Opinion by</b> Date announced in plenary	REGI 3.4.2006
<b>Enhanced cooperation – date announced in plenary</b>	
<b>Draftsman</b> Date appointed	Gerardo Galeote 25.4.2006
<b>Previous drafts(wo)man</b>	
<b>Discussed in committee</b>	6.11.2006      23.11.2006
<b>Date adopted</b>	19.12.2006
<b>Result of final vote</b>	+:    29 –:    1 0:    0
<b>Members present for the final vote</b>	Jean Marie Beaupuy, Rolf Berend, Jana Bobošíková, Graham Booth, Gerardo Galeote, Iratxe García Pérez, Eugenijus Gentvilas, Lidia Joanna Geringer de Oedenberg, Ambroise Guellec, Pedro Guerreiro, Marian Harkin, Konstantinos Hatzidakis, Mieczysław Edmund Janowski, Gisela Kallenbach, Tunne Kelam, Miroslav Mikolášik, Francesco Musotto, Lambert van Nistelrooij, Jan Olbrycht, Markus Pieper, Francisca Pleguezuelos Aguilar, Elisabeth Schroedter, Grażyna Staniszevska, Catherine Stihler, Margie Sudre
<b>Substitute(s) present for the final vote</b>	Simon Busuttil, Emanuel Jardim Fernandes, Holger Krahmer, Richard Seeber, László Surján
<b>Substitute(s) under Rule 178(2) present for the final vote</b>	
<b>Comments (available in one language only)</b>	