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*Committee on Economic and Monetary Affairs*

PROVISIONAL  
**2006/0042(COD)**

21.12.2006

**\*\*\*I**

## **DRAFT REPORT**

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))

Committee on Economic and Monetary Affairs

Rapporteur: Sharon Bowles

### ***Symbols for procedures***

- \* Consultation procedure  
*majority of the votes cast*
- \*\*I Cooperation procedure (first reading)  
*majority of the votes cast*
- \*\*II Cooperation procedure (second reading)  
*majority of the votes cast, to approve the common position  
majority of Parliament's component Members, to reject or amend  
the common position*
- \*\*\* Assent procedure  
*majority of Parliament's component Members except in cases  
covered by Articles 105, 107, 161 and 300 of the EC Treaty and  
Article 7 of the EU Treaty*
- \*\*\*I Codecision procedure (first reading)  
*majority of the votes cast*
- \*\*\*II Codecision procedure (second reading)  
*majority of the votes cast, to approve the common position  
majority of Parliament's component Members, to reject or amend  
the common position*
- \*\*\*III Codecision procedure (third reading)  
*majority of the votes cast, to approve the joint text*

(The type of procedure depends on the legal basis proposed by the Commission.)

### ***Amendments to a legislative text***

In amendments by Parliament, amended text is highlighted in ***bold italics***. Highlighting in *normal italics* is an indication for the relevant departments showing parts of the legislative text for which a correction is proposed, to assist preparation of the final text (for instance, obvious errors or omissions in a given language version). These suggested corrections are subject to the agreement of the departments concerned.

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## DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

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))

(Codecision procedure: first reading)

*The European Parliament,*

- having regard to the Commission proposal to the European Parliament and the Council (COM(2006)0135)<sup>1</sup>,
  - having regard to Article 251(2) and Article 285(1) of the EC Treaty, pursuant to which the Commission submitted the proposal to Parliament (C6-0100/2006),
  - having regard to Rule 51 of its Rules of Procedure,
  - having regard to the report of the Committee on Economic and Monetary Affairs and the opinion of the Committee on Regional Development (A6-0000/2006),
1. Approves the Commission proposal as amended;
  2. Calls on the Commission to refer the matter to Parliament again if it intends to amend the proposal substantially or replace it with another text;
  3. Instructs its President to forward its position to the Council and Commission.

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Text proposed by the Commission

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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 **direct** 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 **eliminate** the differences in the level of prices between Member States.

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

*Justification*

*Eliminate is more accurate*

Amendment 2

Recital 3

**(3) Article 3(1) of Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds<sup>1</sup>, – must be read in conjunction with Part 15 of Annex II of the 2003 Act of Accession, entitled “Regional Policy and coordination of structural instruments”. That Article 3(1) states that the regions covered by Objective 1 are to be regions corresponding to level II of NUTS whose per capita GDP, measured in PPPs and calculated on the basis of Community figures, is less than 75% of the Community average.** In the absence of regional PPPs, national PPPs should serve to establish the list of regions which could benefit from the Structural Funds; they can also be used to determine the amount of funds to be allocated to each region.

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<sup>1</sup> **OJ L 161, 26.06.1999, p. 1; Regulation as last amended by the 2003 Act of Accession.**

**(3) Article 5(1) of Council Regulation (EC) 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund<sup>1</sup> states the regions eligible for funding from the Structural Funds under the Convergence objective shall be regions corresponding to level 2 of the common classification of territorial units for statistics (hereinafter NUTS level 2) within the meaning of Regulation (EC) No 1059/2003 whose gross domestic product (GDP) per capita, measured in purchasing power parities and calculated on the basis of Community figures for the period 2000 to 2002, is less than 75 % of the average GDP of the EU-25 for the same reference period.** In the absence of regional PPPs, national PPPs should serve to establish the list of regions which could benefit from the Structural Funds; they can also be used to determine the amount of funds to be allocated to each region.

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<sup>1</sup> **OJ L 210, 31.7.2006, p. 25.**

*Justification*

*To update the recital in accordance with present legislation.*

Amendment 3

Recital 3 a (new)

**(3a) Member States are encouraged to produce data for regional PPPs.**

*Justification*

*To encourage the most accurate data possible.*

Amendment 4

Recital 4

***(4) Article 2(1) of Council Regulation (EC) No 1164/94 of 16 May 1994 establishing a Cohesion Fund, – must be read in conjunction with Part 15 of Annex II of the 2003 Act of Accession, entitled “Regional Policy and coordination of structural instruments”. That Article 2(1) states that the Fund shall provide financial contributions to projects, which contribute to achieving the objectives laid down in the Treaty on European Union, in the fields of the environment and trans-European transport infrastructure networks in Member States with a per capita gross national product (GNP), measured in purchasing power parities, of less than 90 % of the Community average which have a programme leading to the fulfilment of the conditions of economic convergence referred to in Article 104c of the Treaty.***

***(4) Article 5(2) of Council Regulation (EC) 1083/2006 states that The Member States eligible for funding from the Cohesion Fund shall be those whose gross national income (GNI) per capita, measured in purchasing power parities and calculated on the basis of Community figures for the period 2001 to 2003, is less than 90 % of the average GNI of the EU-25 and which have a programme for meeting the economic convergence conditions referred to in Article 104 of the Treaty.***

*Justification*

*Same as am.2*

Amendment 5

Recital 6

***(6) The existing methodologies and practices operating within the European Union, at present governed as individual statistical programmes by Council Regulation (EC) No 322/1997 of 17 February 1997 on Community statistics,<sup>1</sup> need in future to be put into a legal framework.***

***(6) The Commission (Eurostat) is already collecting yearly basic information on Purchasing Power Parities from the Member States on a voluntary basis. This action has become a consolidated practice in the Member States. However, a legal framework is necessary to ensure the sustainable development, production and dissemination of Purchasing Power***

<sup>1</sup> *OJ L 52, 22.2.1997, p. 1 Regulation as last amended by Regulation (EC) No 1882/2003 (OJ L 284, 31.10.2003, p. 1)*

*Parities.*

*Justification*

*This establishes that the Regulation confirms an existing voluntary practice and gives legal certainty for the future.*

Amendment 6  
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 the regulatory procedure on scrutiny laid down in Article 5a of Council decision 1999/468/EC;***

*Justification*

*Comitology Council Decision of 17th July 2006 (2006/512/EC) amending Decision 1999/468/EC*

Amendment 7  
Recital 7 a (new)

***(7a) Since the objectives of this Regulation, namely establishing common rules for the provision of basic information on Purchasing Power Parities and for their calculation and dissemination, cannot be sufficiently achieved by the Member States and can therefore be better achieved at Community level, the Community may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve those objectives.***

*Justification*

*Subsidiarity recital based on the standard formulation presented in point 10.15.4. of the Joint Practical Guide of the European Parliament, the Council and the Commission.*

Amendment 8  
Recital 7 b (new)

***(7b) Provision of preliminary results on a regular basis, as is currently the practice, should be maintained in order to keep the freshest possible figures available.***

*Justification*

*To update in accordance with current practice.*

Amendment 9  
Article 1

The objective of this Regulation is to establish common rules for the provision of basic information on Purchasing Power Parities (PPPs), and for their calculation and dissemination. ***PPPs shall reflect only differences in price levels and expenditure weights.***

The objective of this Regulation is to establish common rules for the provision of basic information on Purchasing Power Parities (PPPs), and for their calculation and dissemination.

*Justification*

*For accuracy, they may also have currency converters and the definition is best left as it is in Article 3 (i).*

Amendment 10  
Article 2, paragraph 1, subparagraph 2 a (new)

***Data shall be collected with the minimum frequency listed in Annex I. More frequent collection of data shall only be planned in exceptional circumstances.***

*Justification*

*To avoid over burdensome requirements.*

Amendment 11  
Article 3, point f

(f) "Item" means a **product** or service precisely defined for use in price observation.

(f) "Item" means a **good** or service precisely defined for use in price observation.

*Justification*

*Linguistic correction, services are also referred to as products.*

Amendment 12  
Article 3, point l

(l) "Representativity indicators" means markers or other indicators identifying those items that **countries** have selected as representative.

(l) "Representativity indicators" means markers or other indicators identifying those items that **Member States** have selected as representative.

*Justification*

*For consistency with Article 3, paragraph (j).*

Amendment 13  
Article 3, point m

(m) "Equi-representativity" means a property required of the composition of the item list for a basic heading, each **country** being able to price that number of representative products which is commensurate with the heterogeneity of the products and price levels covered by the basic heading and its expenditure on the basic heading.

(m) "Equi-representativity" means a property required of the composition of the item list for a basic heading, each **Member State** being able to price that number of representative products which is commensurate with the heterogeneity of the products and price levels covered by the basic heading and its expenditure on the basic heading.

*Justification*

*Same as am.12.*

Amendment 14

Article 3, point p

(p) “Reference year” means a calendar year to which *the* annual results refer.

(p) “Reference year” means a calendar year to which *specific* annual results refer.

*Justification*

*Linguistic precision*

Amendment 15

Article 4, paragraph 1, introductory part

1. The Commission shall be responsible for:

1. The Commission (**Eurostat**) shall be responsible for:

*Justification*

*To ensure consistency across regulations. This is the standard format.*

Amendment 16

Article 4, paragraph 1, point d

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

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

*Justification*

*The Commission must also take responsibility for communicating the methodology to the member states.*

Amendment 17

Article 4, paragraph 1, subparagraph 2

***The tasks shall be carried out by Eurostat on behalf of the Commission.***

***deleted***

*Justification*

*To ensure consistency across regulations. This should be taken together with amendment 15 (above).*

Amendment 18  
Article 4, paragraph 2, subparagraph 2

Member States shall provide written approval of the survey results for which they are responsible, once the process of data validation has been completed, as specified in Annex I, point 5.2.

Member States shall provide written approval of the survey results for which they are responsible, once the process of data validation has been completed, as specified in Annex I, point 5.2, ***within a period no longer than one month.***

*Justification*

*To ensure the availability of data is made as soon as possible.*

Amendment 19  
Article 6, paragraph 1

1. The basic information listed in Annex I shall be obtained either from statistical units as defined in Council Regulation (EC) No 696/1993 or from other sources which yield data meeting the quality requirements specified in Annex I, point 5.1.

1. The basic information listed in Annex I shall be obtained either from statistical units as defined in Council Regulation (EC) No 696/1993 or from other sources which yield data meeting the quality requirements specified in Annex I, point 5.1. ***The Member State shall notify the identity of the statistical unit or source to the Commission when it transmits the data.***

*Justification*

*For the avoidance of doubt.*

Amendment 20  
Article 7, paragraph 2, subparagraph 2

Member States shall also provide the Commission (Eurostat) with the details of any ***subsequent changes in the methods used.***

Member States shall also provide the Commission (Eurostat) with the details of any ***necessary deviation from the methodological manual specified in Annex I.***

*Justification*

*The methodology should be adhered to, but if that is not possible it should be notified.*

Amendment 21  
Article 9, paragraph 1, subparagraph 3

This paragraph shall not affect the right of the Commission (Eurostat) to publish preliminary results earlier than 36 months after the end of the reference year.

This paragraph shall not affect the right of the Commission (Eurostat) to publish preliminary results earlier than 36 months after the end of the reference year ***and the Commission (Eurostat) shall make available the latest interim reports on a website when data collection so permits.***

*Justification*

*Same as am.20.*

Amendment 22  
Article 11, paragraph 2, subparagraph 1

Where reference is made to this paragraph, the regulatory procedure laid down in ***Articles 5 and 7 of Decision 1999/468/EC*** shall apply, having regard to the provisions of Article 8 thereof.

Where reference is made to this paragraph, the regulatory procedure laid down in ***Article 5a (1) to (4) and Article 7 of Council*** of Decision 1999/468/EC shall apply, having regard to the provisions of Article 8 thereof.

*Justification*

*Same as am.6.*

Amendment 23  
Article 12, second paragraph, introductory part

Such measures shall ***concern in particular:***

Such measures shall ***be:***

*Justification*

*Comitology. There should not be scope for any addition, the list must be exhaustive. References to the relevant Annexes adds clarity.*

Amendment 24  
Article 12, second paragraph, point b

(b) a set of minimum standards in order to achieve the essential comparability and

(b) a set of minimum standards in order to achieve the essential comparability and

representativity of the data;

representativity of the data ***as specified under subheadings 5.1 an 5.2 of Annex I;***

*Justification*

*Same as am.23.*

Amendment 25

Article 12, second paragraph, point c

(c) precise requirements as to the methodology to be used;

(c) precise requirements as to the methodology to be used ***as specified in Annex I;***

*Justification*

*Same as am.23.*

Amendment 26

Article 12, second paragraph, point d

(d) adjustment of the list of basic headings and the establishment and adjustment of detailed descriptions of the content of basic headings, provided that these remain compatible with ESA95 or any succeeding system.

(d) adjustment of the list of basic (***as specified in Annex II***) headings and the establishment and adjustment of detailed descriptions of the content of basic headings, provided that these remain compatible with ESA95 or any succeeding system.

*Justification*

*Same as am.23.*

Amendment 27

Annex I, paragraph 1.2

1.2 The Commission (Eurostat) shall establish, by ***31 October***, in consultation with Member States, an annual Work Programme for the following calendar year setting out the timetable for the specification and the provision of the basic information required for that year.

1.2 The Commission (Eurostat) shall establish, by ***30 November each year***, in consultation with Member States, an annual Work Programme for the following calendar year setting out the timetable for the specification and the provision of the basic information required for that year.

*Justification*

*To bring into line with existing practice.*

Amendment 28  
Annex I, paragraph 1.4 a (new)

***1.4a. In the event of Member States not submitting complete basic information they shall specify why information is incomplete, when complete information will be submitted or other reasons why it cannot be made available.***

*Justification*

*Reasons for not submitting data need to be known so that, if needed, rectification can be made.*

Amendment 29  
Annex I, paragraph 5.3.2

5.3.2 Each Member State shall have its PPP process assessed at least once every six years by the Commission (Eurostat). The assessments, ***yearly*** planned and included in the annual Work Programme, shall review compliance with this Regulation. A report, based on the assessment, shall be made by the Commission (Eurostat).

5.3.2 Each Member State shall have its PPP process assessed at least once every six years by the Commission (Eurostat). The assessments, planned ***annually*** and included in the annual Work Programme, shall review compliance with this Regulation. A report, based on the assessment, shall be made by the Commission (Eurostat) ***and be made available on the website.***

*Justification*

*Linguistic correction and additional transparency.*

Amendment 30  
Annex I, paragraph 10.5

10.5 Revisions made after ***21 months*** following the end of the reference year to GDP expenditure values or to population estimates shall not require a correction to

10.5 Revisions made after ***33 months*** following the end of the reference year to GDP expenditure values or to population estimates shall not require a correction to

be made to PPP results.

be made to PPP results.

*Justification*

*Same as am.27.*

## **EXPLANATORY STATEMENT**

### **Background**

Purchasing power parities (PPPs) are conversion factors that allow prices in different countries to be expressed in directly comparable units. To achieve this, the conversion factors eliminate the effects of price level differences and currencies. PPPs can also be used as a divisor of a national price to calculate a Purchasing Price Standard, which buys the same quantity of goods and services irrespective of the country, and can therefore be used in volume comparisons.

PPPs are used internationally in both public and private spheres for various qualitative and economic assessments, and within the European Union they are used for determining qualification for Structural Funds (when GDP per capita is below 75% of the average of the EU-25) and for Cohesion Funds (when GNI per capita is less than 90% of the average of the EU-25). The Commission also uses PPPs to calculate correction coefficients for remuneration and pensions of officials and other servants of the European Communities, which it is under an obligation to do in accordance with the Staff Regulations.

The purpose of the Regulation is to codify what has already been the practice for several years, during which time Member States have provided information on a voluntarily basis. It is needed because Council Regulations have given the Commission a statutory responsibility to calculate GDP on a purchasing power basis, and this new legal act will clarify the responsibilities of national authorities in compiling these statistics and the procedures for establishing appropriate methodology. It is also timely in the context of new international cooperation on PPPs in which the EU is a leading player.

Price comparisons are also important for monitoring consumer prices in a variety of policy areas such as price convergence in the Single Market and the Euro-zone, the functioning of public procurement and aspects of competition. So they have both economic and political relevance.

### **Regulation Proposals**

The Commission, through Eurostat, is responsible for co-ordinating, calculating and publishing PPPs on the basis of data collected by Member States. Member States are required to provide data relating to a range of basic information in accordance with a methodology and annual work program that has previously been established by the Commission in consultation with Member States. Some data such as GDP expenditure values, rentals and wages will be required every year. Others, in particular prices of consumer goods and services, will be required every three years but in practice will be collected on a cyclic rolling program basis so that each product group will be examined every three years. Adjustment factors that allow corrections for time lapse (temporal adjustment) and regional variations (spatial adjustment) are required, respectively, annually and every six years. The frequencies are given as 'minimum frequencies' so in theory data could be asked for more often.

## **Amendments**

Changes are proposed that update the references to relevant Council Regulations and to clarify that the provision of preliminary results on a regular basis, as is currently the practice, will be maintained in order to keep the freshest possible figures available.

There is no obligation in the Commission proposal for the production of Regional figures or for the calculation of Regional spatial correction coefficients. It is recognised that the regulation should not be burdensome, however there are Member States with significant Regional price variations and it is important for efforts to be made to calculate this information even if that remains voluntary.

A maximum time period of one month for Member States to provide written approval of the survey results once they have been validated is introduced in order to avoid delay.

The minimum frequencies given for collection of data should not be increased without good reason, so as not to cause excessive burden.

The new comitology procedures will apply.

To provide maximum transparency, interim figures and assessment and compliance reports are to be made available on website.