

# Mapping the Cost of Non-Europe, 2014-19



## STUDY

**European Added Value Unit**  
European Parliamentary Research Service  
European Parliament  
PE 510.983  
First edition: March 2014

**AUTHOR:**

**Joseph Dunne**

Email contact: [joseph.dunne@ep.europa.eu](mailto:joseph.dunne@ep.europa.eu)

**DOCUMENT COMPILED BY:**

European Added Value Unit,  
Directorate for Impact Assessment and European Added Value,  
Directorate-General for Parliamentary Research Service  
European Parliament,  
B-1047 Brussels.

*With the support of:*

EP 2025 Long-Term Trends Team,  
Cabinet of the Secretary-General; and  
Economic Governance Support Unit,  
Directorate-General for Internal Policies (IPOL).

**LINGUISTIC VERSIONS:**

Original: EN

Manuscript completed in March 2014  
Brussels, © European Parliament, 2014

**DISCLAIMER**

Reproduction and translation for non-commercial purposes are authorized, provided the source is acknowledged and the publisher is given prior notice and sent a copy.

ISBN: 978-92-823-5391-2

DOI: 10.2861/52903

CAT: QA-04-14-121-EN-C

# Mapping the Cost of Non-Europe

This study embodies work-in-progress on a long-term project being undertaken by the 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, 2014-19.

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 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.

The Cost of Non-Europe Map featured on the cover and on page 7 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 into effect. Each of the individual segments is then 'unpacked' in a more detailed analysis which follows, with web-links to the relevant studies, internal or external, from which the basic calculation derives. Obviously, neither the map nor the detailed analysis behind it purports 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 this initial estimate, around 800 billion euro - or currently about six per cent of EU GDP - might be added to the European economy.

**Joseph DUNNE**

*Acting Director,*

*Directorate for Impact Assessment and European Added Value*

March 2014

# Contents

Introduction .....	5
--------------------	---

## **Current work: Policy areas where potential efficiency gains have so far been assessed**

1. Digital single market .....	7
2. Delivering and completing the existing single market for consumers and citizens .....	10
3. Banking Union to avert a new financial crisis.....	13
4. Completing financial markets .....	15
5. Common minimum unemployment insurance scheme for the euro area .....	17
6. Improved coordination of fiscal policies .....	19
7. Common deposit guarantee scheme .....	20
8. Common security and defence policy .....	21
9. Transatlantic Trade and Investment Partnership (TTIP).....	23
10. Integrated energy markets Europe .....	25
11. Equal pay for equal work .....	28
12. VAT and action against tax evasion .....	30
13. Combatting violence against women .....	31
14. Information and consultation of workers .....	34
15. Single European Transport Area .....	35
16. European Research Area .....	38
17. Improved EU donor coordination in development policy .....	40
18. Company law on cross-border transfer of company seats .....	42
19. EU Codification of Private International Law .....	44

## **Future work: Policy areas where potential efficiency gains are still to be assessed**

20. Codification of passenger rights .....	46
21. Wastewater legislation .....	47
22. European Mutual Society .....	48
23. EU law of administrative procedure .....	49
24. Cross-border voluntary activity within the EU .....	50

# 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 24 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 M. 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 the single market by the end of 1992. It estimated the likely gain to Community-wide GDP from the 1992 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.

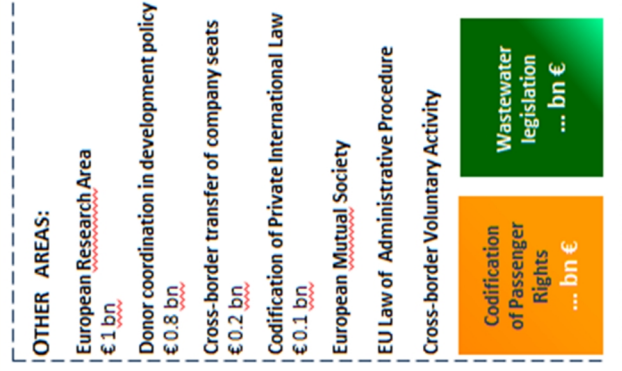
The potential multiplier effect of either deepening existing European action or undertaking new action in certain fields remains strong today. This paper offers a series of estimations for the possible economic gains - whether from additional GDP generated or a more rational allocation of public resources 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 260 billion euro in additional GDP which the digital single market could bring, an amount equivalent to the GDP of Denmark. 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 the avoidance of real costs paid by individuals, so easing the everyday life of citizens. The work on this project is on-going and will be continuously updated and refined in coming months, but currently it suggests that the cumulative efficiency gain of a series of policy actions at European level, when fully realised, could represent some 800 billion euro. At current prices, that would amount to approximately six per cent of EU GDP.

**Klaus WELLE**  
*Secretary General*

**Anthony TEASDALE**  
*Director General*

# Cost of NON-EUROPE Map

TOTAL: ± € 800 bn



# 1. Digital Single Market

## Potential efficiency gain: 260 billion euro per year

### Key proposition

A deeper and more complete the single market in the digital field could raise the long-run level of EU28 GDP by at least 4.0 per cent<sup>1</sup> - or around 520 billion euro at current prices. However, the regulatory complexity of de-compartmentalising the existing markets in this field suggests that such a potential may take a sustained period of time to realise. A plausible assumption is that, with the right policies in place, around half that gain to the European economy could be achieved in coming years. A detailed Cost of Non-Europe Report on this sector has recently been commissioned by the European Parliament's Committee on the Internal Market and Consumer Protection. It will look at specific dimensions, such as cloud computing and digital payments, and first results of this research are expected in May 2014.

### More detailed analysis

A fully-functioning digital single market 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;
- efficiency improvements and reduced transaction costs in traditional sectors, such as the free movement of goods and services.

However, the current situation in the digital field is still largely one of the fragmentation of an incomplete single market into essentially 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 a low base. Too many barriers still block the free flow of goods and online 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 restricted to certain geographic areas). There is a clear need to update EU single market rules for the digital era, establishing a single area for online payments, e-invoicing, protecting intellectual property rights, clarifying VAT requirements, generating trust in e-commerce, and affording adequate protection to EU consumers in cyberspace. The complexity of the necessary action means that the full potential of action in this field can only be realised in the long term, but equally suggests that approximately half of the potential gains should be achievable in coming years.

### Other estimates of Cost of Non-Europe

There are several studies which confirm the size of the potential gains to be expected from the realisation of the digital single market. Detailed work undertaken by Copenhagen Economics in 2005, 2007 and 2010<sup>2</sup> estimates the long-term increase in GDP - as a result of an acceleration of the digital

---

<sup>1</sup> 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.

<sup>2</sup> Copenhagen Economics, op cit.



economy, involving increased use of online services, improved digital infrastructure and improved e-skills - to be over 4.0 per cent.

A recent Conference Board study<sup>3</sup> 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) can be a major source of growth for the European economy (up to half of GDP growth in the Union). Andrea Renda of CEPS points out that the achievement of a more integrated digital single market will require a major re-think of the regulatory framework<sup>4</sup>. The European Commission estimates<sup>5</sup> that moving from the current situation where electronic invoices account for five per cent of 'B2B' transactions towards widespread acceptance would, of itself, bring benefits of 40.0 billion euro per year. These savings would be enhanced by the operation of the Single European Payments Area (SEPA)<sup>6</sup>

According to the European Commission's latest Consumer Conditions Scoreboard<sup>7</sup>, EU consumers are still considerably more likely to purchase online from national providers (41 per cent) than from those located in other EU countries (11 per cent). The main issue is one of consumer confidence. A recent study for the European Policy Centre (EPC) by Fabian Zuleeg and Robert Fontana-Reval<sup>8</sup> points to the lack of effective pan-European legislation to protect consumers from fraud, rogue trading and identity theft as a failure in the provision of a public good. They conclude that there is economic justification for intervention by government authorities to put in place 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.

## EP position in this field

The European Parliament takes the view that completing the digital single market would be a crucial means to help stimulate growth and create 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 or late transposition of existing directives by Member States, a factor which should be subject to more rigorous scrutiny by the EU institutions. The Parliament has called for targeted legislative proposals to strengthen consumer access to, and trust in, products and services traded online, and to offer consumers a simple one-stop shop for solutions. It favours developing 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 rapidly to propose a European strategy in a market worth some 160 billion euro.

EP resolution of 11 December 2012 on *Completing the digital single market* (2012/2030(INI)).

Rapporteur: Pablo ARIAS ECHEVERRÍA (EPP Group), IMCO Committee.

EP plenary vote: FOR: 604 - AGAINST: 45 - ABSTENTIONS: 15.

<sup>3</sup> The Conference Board, *Unlocking the ICT Growth Potential in Europe: Enabling People and Business*, January 2014.

<sup>4</sup> Andrea Renda, *Digital Infrastructure as the Next 'EU Grand Project'*, Istituto Affari Internazionali, 2014.

<sup>5</sup> COM (2010)712 final *Reaping the benefits of electronic invoicing for Europe*, December 2010.

<sup>6</sup> CapGemini Consulting, *SEPA: potential benefits at stake*, 2010.

<sup>7</sup> European Commission, *The Consumer Conditions Scoreboard - Consumers at home in the single market*, SWD(2013) 291.

<sup>8</sup> Fabian Zuleeg and Robert Fontana-Reval, [Economic rationale for a Digital Single Market](#), European Policy Centre, 2010.

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

Potential efficiency gain: 235 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 1992-2006 raised EU GDP and employment by 2.2 per cent and 1.3 per cent, representing figures of 233 billion euro and 2.8 million persons respectively<sup>9</sup>. It is estimated that a further deepening of this 'classic' single market could still yield very significant additional gains for EU consumers and citizens, raising EU28 GDP by a further 2.2 per cent annually over a ten year period, if remaining barriers could be eliminated.

A research paper on this subject<sup>10</sup>, 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](http://www.europarl.europa.eu/RegData/etudes/etudes/join/2013/494463/IPOL-JOIN_ET(2013)494463_EN.pdf)

The Parliament's Committee on the Internal Market and Consumer Protection has recently commissioned a set of Cost of Non-Europe Reports on the continuing completion of the single market in public procurement, free movement of goods, free movement of services, and the consumer *acquis*, as well as in the digital single market (see point 1 above). The first results from this research are expected in May 2014.

### More detailed analysis

The single market has already reached a high level of economic integration in what is now the largest combined marketplace in the world – based on the successful removal of most non-tariff barriers to the free movement of goods and services, so 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 over the last three decades, there are significant remaining challenges and 'missing links'. These include the potential for:

- further easing of the cross-border provision of services, which generate some 70 per cent of value added in the EU but account 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.

A cautious analysis of the potential for continued efficiency gains in the European economy suggests lower-bound gains in the region of 1.8 per cent of long-term EU GDP (some 235 billion euro per year), compared with the *status quo*. A complementary on-going study on the EU consumer *acquis* considers

---

<sup>9</sup> Cited in EP European Added Value Unit, *The Added Value of the European Single Market*, June 2013.

<sup>10</sup> Patrice Muller et al, London Economics, for EP European Added Value Unit, *Better Governance of the Single Market: European Added Value Assessment*, European Parliament, January 2013.

that the consumer detriment from not having a 'complete' single market is in the order of 58.0 billion euro per year, evidenced in a comparison of price convergence in the EU and United States.

## Other estimates of Cost of Non-Europe

While substantial gains have been achieved so far, a number of studies point out that a fuller and deeper single market could yield even greater benefits<sup>11</sup>. In 2010, the Monti Report<sup>12</sup> suggested that half of all single-market directives face implementation difficulties of some kind. Still significant 'missing links' in the single market included not only those mentioned above – but also the comprehensive implementation of the Single European Payments Area (SEPA) for cross-border financial transfers, which alone could add another 0.9 per cent to GDP.

One recent study on the benefits of the single market<sup>13</sup> estimates that if all remaining barriers to trade in the EU were fully eliminated within the European 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<sup>14</sup> deduces that even a more modest objective of reducing the remaining trade barriers in the EU by only 50 per cent would raise the long-run level of EU GDP by 4.7 per cent. A further study<sup>15</sup> identifies areas in which the single market needs to be further developed and suggests corresponding policy options. Econometric analysis of six key sectors 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.

## EP position in this field

The European Parliament believes that freedom of movement of goods, capital, services and people still has an untapped potential for both businesses and citizens in terms of efficiency, growth and job creation. It considers that the single market is in significant need of a new momentum and calls on the European Commission to bring forward legislation accordingly. Such pressure led to the Commission's proposals for the Single Market Act and Single Market Act II. It is also concerned that the environmental and social dimensions should be properly integrated in the single-market strategy, on the following basis:

- support the creation of a sustainable single market based on Article 11 TFEU through the development of an inclusive, low-carbon, green, knowledge-based economy, including measures to further any innovation in cleaner technologies;
- put the consumer interests referred to in Article 12 TFEU and social policy based on Article 9 TFEU at the heart of the single market;
- ensure the protection of services of general economic interest on the basis of Article 14 TFEU and Protocol 26; and
- improve the informal problem-solving mechanisms (SOLVIT) in the single market.

---

<sup>11</sup> 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.

<sup>12</sup> M. Monti, *A new strategy for the single market: At the service of Europe's economy and society*, 2010.

<sup>13</sup> V. Aussiloux, C. Emlinger and L. Fontagné, 'What Benefits from Completing the Single Market?', *La Lettre du CEPII*, No. 316, 15 December 2011.

<sup>14</sup> Y. Decreux, 'Completing Single Market II', in HM Government and Centre for Economic Policy Research (CEPR), *Twenty Years On: The UK and the Future of the Single Market*, 2012.

<sup>15</sup> London Economics and PwC, *The cost of non-Europe: the untapped potential of the European Single Market*, April 2013.

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.

EP 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.

Other significant reports in this field in the 2009-2014 Parliament 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 BUSOI (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*.

Rapporteur: Malcolm HARBOUR (ECR Group); IMCO Committee.

*Twenty 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.

### 3. Banking Union to avert a new Financial Crisis

#### Potential efficiency gain: 35 billion euro per year

#### Key proposition

The establishment and completion of a fully-functioning system of Banking Union has the potential to help avoid significant recapitalisation costs and GDP loss in coming years, by playing a key part in averting and containing any future financial crisis. Initial research on this subject suggests that a reasonable assumption is that the potential gain to the European economy, compared to past experience, lies in the area of 35.0 billion euro per year.

A research paper by the European Parliament on this subject<sup>16</sup> is available for download at:

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

#### More detailed analysis

The cumulative GDP loss from the recent economic and financial crisis was very substantial indeed - estimated to have at least 2.12 trillion euro within the EU<sup>17</sup> - over the period 2008-2012. Putting in place effective measures at all levels to avert or attenuate the recurrence of any such a crisis would thus bring considerable welfare gains in the future. The proposals for a 'Genuine Economic and Monetary Union', first developed by four Presidents of EU institutions in June and December 2012, involve several major initiatives in this direction. The establishment and completion of a fully-functioning system of Banking Union has a critically important part to play in this process.

In a counter-factual analysis on the effect of the crisis if the bail-in rules agreed in June 2013 had already been in place in September 2008, Jacob Funk Kirkegaard of the Peterson Institute<sup>18</sup> concluded, after examining the balance sheets of the two largest bank failures in the eurozone - Bankia (18.0 billion euro) and Anglo-Irish Bank (34.7 billion euro) - that:

- Bankia creditors would have faced larger losses and thus the Spanish government would have avoided the need to inject public capital in Bankia and resort to ESM financial assistance;
- the Irish government would have bailed in senior bank creditors (in addition to junior bondholders), as well as unsecured depositors above 100,000 euro, but this would have been insufficient, and a further contribution from taxpayers or the ESM would have been required. In addition, the flexibility granted to governments to bail out up to 5.0 per cent of the bank's total assets using taxpayers' money or a national resolution fund may have continued to add further costs.

Although the overall cost of bank recapitalisation in the euro area since 2008 cannot be construed as an accurate estimate of the cost of averting a further financial crisis, as an approximation, circa 10 per cent of that overall cost would have been avoided had the bail-in rules been in place.

---

<sup>16</sup> Graham Stull, EP European Added Value Unit, *Towards a Genuine Economic and Monetary Union: European Added Value Dimensions*, European Parliament, October 2012.

<sup>17</sup> Eurostat: *Statistical impact on government deficit and Statistical impact on government debt*, 2013, show an aggregate cost of government intervention of 16.3 per cent of EU28 GDP.

<sup>18</sup> Jacob Funk Kirkegaard, *The Road to a European Banking Union: Part II*. Peterson Institute for International Economics, Washington DC, Note of 1 July 2013. <http://blogs.piie.com/realtime/?p=3725> or <http://rhg.com/notes/the-road-to-a-european-banking-union-part-ii>, January 2012.

If it is assumed that the discount rate equals the average long-term government bond yield for the euro area over the pre-crisis period, the recapitalisation cost of banks could be 177 billion euro, and if the probability of a repeat crisis is 10 per cent - namely of a crisis roughly every decade - then the annual cost saved would come to 17.7 billion euro.

To this should be added:

- a risk-weighted cost of default, including Cyprus and Slovenia, of 26.1 billion euro per year;
- risks related to bilateral loans, risks related to the establishment of the European Financial Stability Mechanism (EFSM)/ European Stability Mechanism (ESM), and risks related to the Securities Markets Programme (SMP) conducted by the ECB between 2010 and 2012, with a 10 per cent probability of default of one country, or 34.9 billion euro per year;
- the impact of a financial crisis of the same magnitude as the present one on EU GDP, with the same 10 per cent probability, which can be estimated at 51.9 billion euro per year.

The above costs averted come to a total of 130 billion euro per year. It is however plausible to assume that, even if the EU were to implement all the measures proposed, there can be no absolute certainty that a crisis could be averted. Equally, not all the expected benefits attributed to EU-wide action might accrue. Applying an appropriate discount rate and taking into the current strengthening of economic governance and other reforms envisaged, the 130 million figure (per year) could sensibly be scaled down very substantially to around a provisional figure of 35.0 billion euro per year.

## EP position in this field

The European Parliament believes that the governance of the Economic and Monetary Union should take place within the institutional framework of the Union, which is a precondition for its effectiveness and for filling the current political gap between national and European policies. It stresses the need for further integration within the EMU to prevent future crises and sovereign default.

The steps towards a Genuine EMU should combine integrated financial, fiscal and economic policy frameworks, including a Social Pact. The Parliament has called on the Commission to propose measures to address, in a true 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 resolutions funds. It also favours a cross-border framework for Insurance Guarantee Schemes across Member States.

EP Resolution of 20 November 2012 *with recommendations to the Commission on the report of the Presidents of the European Council, the Commission, the European Central Bank and the Eurogroup "Towards a genuine Economic and Monetary Union"*, Legislative initiative report under Rule 42 (2012/2151(INI)), based on THYSSEN report.

Rapporteur: Marianne THYSSEN (EPP Group); ECON Committee.

EP plenary vote: FOR: 482 - AGAINST: 160 - ABSTENTIONS: 35.

## 4. Completing Financial Markets

### Potential efficiency gain: 60 billion euro per year

#### Key proposition

The potential efficiency gain from having a fully integrated and effectively regulated EU-wide set of financial markets could be of the order of 60.0 billion euro per year, measured in interest savings alone.

A European Parliament research paper on this subject<sup>19</sup> is available for download at:

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

Market integration implies convergence of prices at lower levels, as has been the case in the motor car industry and other sectors. Applying this basic concept to the euro area, convergence could imply interest savings in the residential mortgage market alone of an estimated 63.0 billion euro per year, based on prevailing rates. About 75 per cent of euro-area firms rely on banks for external funding. Savings for SMEs - which account for 99.8 per cent of EU companies and 70 per cent of all employees - could be in the order of 53.0 billion euro, after a successful phasing-in.

However, given that language barriers and some 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 significantly discounted, leading to a more modest figure of some 60.0 billion euro per year.

#### Other estimates of Cost of Non-Europe

The financial crisis has revealed weaknesses in regulatory coordination across the European Union. Research has pointed to how asymmetric policy implementation aggravated irresponsible risk-taking behaviour among financial institutions<sup>20</sup>, while evidence also indicates that those financial institutions deemed 'too big to fail', which operated outside and across national regulatory supervisory regimes, were the ones most prone to engage in highly-leveraged, risky lending<sup>21</sup>.

In the absence of barriers and asymmetric costs, market integration will imply price convergence at lower levels, as shown in a core study on market integration for cars in the EU<sup>22</sup>, which found that prices tend to converge at purchasing power parity. Another author<sup>23</sup> argues that greater EU financial integration is needed, as the harmonisation of single market rules does not cover all the interventions required to deal with government 'moral hazard' when driven by competition for capital. An imperfect banking union can undermine citizens' welfare in a currency union, thus threatening the stability of the euro area.

---

<sup>19</sup> Graham Stull, EP European Added Value Unit, *Towards a Genuine Economic and Monetary Union: European Added Value Dimensions*, European Parliament, October 2012.

<sup>20</sup> J. Pelkmans, *The European Single Market: How far from completion?*, Springer Verlag, 2012.

<sup>21</sup> R. Barrell, E. Davis, T. Fic and D. Karim, *Is there a link from bank size to risk taking?*, NIESR Discussion Paper No. 367, London 2010.

<sup>22</sup> 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.

<sup>23</sup> Diego Valiante, *Framing Banking Union in the Euro Area. Some empirical evidence*, CEPS working document No. 389, February 2014.

## EP position in this field

The economic, financial and fiscal crisis in the EU has significantly broadened economic and social disparities among Member States and regions, resulting in an uneven distribution of inward and outward investment across the European Union. The European Parliament considers it is necessary to establish a consistent framework of stability within monetary and fiscal and trade policy, in order to facilitate the flow of direct investment in all Member States and EU regions, thereby contributing to correcting the EU's macroeconomic imbalances.

Beyond the establishment of a more secure banking sector through the progressive realisation of a Banking Union, the Parliament considers it important also to reduce structural imbalances in the financial markets. Those imbalances are partly responsible for substantial disparities in interest rates, access to credit and cost of provision of financial services.

It has called on the European Commission to secure a general proposal on legal certainty in securities law to ensure a smoother and more secured functioning of the securities markets and their central depositories. It has called on Member States to ensure the full implementation of Capital Requirement Rules (CRD III), as well as revised rules based on best international standards (CRD IV), with the new set of rules compiled in a single rulebook. It has also addressed the issue of remuneration policies in the financial sector. The overall purpose is to prevent junk financial institutions, using a high level of leverage on limited own assets, to operate in the market and put customers at risk.

The Parliament has stressed the need to adopt and fully implement new rules on financial markets operations aimed at better practices in the management of money market funds and 'short-selling' operations. Such rules seek to address the problem of complex (less liquid) products, which nonetheless have a vast volume of trade and a potential effect on market volatility: over the counter (OTC) derivatives and Credit Default Swaps (CDS). Finally, the Parliament has recalled the importance of implementing a more transparent framework for state aids to the financial 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).

EP resolution of 3 July 2012 on *Attractiveness of investing in Europe* (2011/2288(INI)).

Rapporteur: Rodi KRATSA-TSAGAROPOULOU (EPP Group), ECON Committee.

EP plenary vote: FOR: 546 - AGAINST: 58 - ABSTENTIONS: 48.



## 5. Common Minimum Unemployment Insurance Scheme for the euro area

Potential saving: 15 billion euro

### Key proposition

The creation of a common minimum unemployment insurance (or re-insurance) scheme for the euro area could act as an automatic stabiliser during any future periods of serious downturn. Analysis of the potential benefits during the recent crisis suggest that such a scheme would have attenuated the GDP loss in the most affected Member States by 15.0 billion euro in 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 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 adjustment in the case of asymmetric shocks (avoid the so called 'race to the bottom').

The European Parliament is undertaking a detailed analysis to quantify more precisely the potential benefits of such an unemployment insurance scheme for the euro area. Proposed solutions will be also assessed in order to focus on cross-country stabilisation aspects. Different simulations will be used to assess the required financial flows and the distributional effects across the different categories of stakeholders. Depending on the model used, as well as on the assumptions made to build the model - for example, number of eligible employees; size of the contribution to the system; size and length of contribution paid by the system; annual balance at national level - the results might vary. There are also inherent costs in establishing and operating such a scheme and these would need to be discounted in any calculation of the efficiency gain.

### Other estimates of Cost of Non-Europe

Existing simulations suggest that stabilising effects of such a scheme would be significant. A study presented in 2012 by S. Dullien<sup>24</sup> suggested that a common insurance scheme would have reduced economic fluctuations in some euro-area countries: in Spain - the fourth largest economy in the euro area - such a fund could have mitigated the downturn by almost 25 per cent<sup>25</sup>. If so, the cost of the crisis would have been reduced in Spain 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 by 1.6 and 2.3 billion euro respectively. These savings total 15 billion euro.

<sup>24</sup> [http://www.diw.de/documents/publikationen/73/diw\\_01.c.413714.de/diw\\_econ\\_bull\\_2013-01\\_2.pdf](http://www.diw.de/documents/publikationen/73/diw_01.c.413714.de/diw_econ_bull_2013-01_2.pdf)

<sup>25</sup> Data source: [www.tradingeconomics.com](http://www.tradingeconomics.com). On average, the GDP growth in Spain in 2009 was -3.7 per cent, reaching a negative low of -4.4 per cent in June of 2009.

The estimates of the stabilisation effect, the only variable that has been quantified, found in the extensive literature on unemployment insurance schemes<sup>26</sup>. Chimerine et al (1999) and Vroman (2010) focus on the impact during a recession and are based on an analysis of marginal stabilisation in times of deepest crisis. They estimate the stabilisation effect of an unemployment insurance scheme at between 15 and 20 per cent of the initial drop of GDP. Vroman (2010) finds a stabilisation effect of almost 30 per cent of which up to half can be attributed to extended and emergency unemployment benefits and the rest to regular unemployment benefit. Italianer and Vanek (1993) argued that a stabilisation mechanism would automatically operate for asymmetric shocks of all sizes.

There have been similar findings in the United States. The Congressional Budget Office (CBO) found that the US unemployment insurance (UI) system, which provides temporary weekly benefits to workers who lose their job and are seeking work, has allowed households to better maintain their consumption while household members are unemployed. When emergency unemployment compensation was extended at the end of 2012, the CBO estimates that GDP adjusted for inflation was 0.2 percent higher (and full-time-equivalent employment will be 0.3 million higher) a year later than it would otherwise have been<sup>27</sup>.

## EP position in this field

The European Parliament considers it important to further investigate the potential role of automatic stabilisers within EMU, especially when facing asymmetric shocks. It also considers it important to avoid excessive depletion of national welfare states and hence strengthen the EMU's sustainability as a whole. It stresses the need to define concrete steps in terms of building a genuine social and employment pillar as part of the EMU, on the basis of the Community method. Growth and employment policies, including combating youth unemployment and long-term unemployment, and creating lasting jobs which are not precarious, are especially important, with the necessary flexibility of the labour market 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.

EP plenary vote: FOR: 476 - AGAINST: 96 - ABSTENTIONS: 25.

---

<sup>26</sup> European Commission paper on Automatic Stabilisers, October 2013.

<sup>27</sup> [www.cbo.gov/sites/default/files/cbofiles/attachments/11-28-UnemploymentInsurance\\_0.pdf](http://www.cbo.gov/sites/default/files/cbofiles/attachments/11-28-UnemploymentInsurance_0.pdf)

## 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 'spill-over' effects between the Member States participating in Economic and Monetary Union (EMU), and across the European Union more widely. The upper limit of the size of such spill-over effects has been estimated to be 0.25 per cent of GDP<sup>28</sup>. For the EU as a whole, this implies a potential total cost from poor coordination or non-coordination of fiscal policies of some 31.0 billion euro per year. The relevant EP research paper<sup>29</sup> is available for download at:

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

### Other estimates of Cost of Non-Europe

In a recent staff discussion note<sup>30</sup>, the International Monetary Fund (IMF) has 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 in train. Although country-level adjustment and support via the European Stability Mechanism (ESM), European System of Financial Supervision (ESFS) and OMT 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.

### EP position in this field

The European Parliament has called for a comprehensive overhaul of the framework for economic governance in the EU, 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 roll-over 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 crisis prevention.

EP Resolution of 20 November 2012 with recommendations to the Commission on the report of the Presidents of the European Council, the Commission, the European Central Bank and the Eurogroup "*Towards a Genuine Economic and Monetary Union*", (2012/2151(INI)).

Rapporteur: Marianne THYSSEN (EPP Group); ECON Committee.

EP plenary vote: FOR: 482 - AGAINST: 160 - ABSTENTIONS: 35.

<sup>28</sup> A. Ivanova, S. Weber *Do fiscal spillovers matter?* International Monetary Fund (IMF) Working Paper, 2011.

<sup>29</sup> Graham Stull, EP European Added Value Unit, *Towards a Genuine Economic and Monetary Union: European Added Value Dimensions*, European Parliament, October 2012.

<sup>30</sup> International Monetary Fund (IMF), *Toward a Fiscal Union for the Euro Area*, 2013.

## 7. Common Deposit Guarantee Scheme

### Potential efficiency gain: 30 billion euro per year

#### Key proposition

The potential benefit of instituting a common deposit insurance scheme (DGS) within the euro area is estimated at 13.0 billion euro per year for three vulnerable countries (Greece, Ireland and Spain). This figure could potentially rise to 30.0 billion euro, if other vulnerable states (Portugal, Italy, Cyprus and Slovenia) were included. The relevant EP research paper<sup>31</sup> is available for download at:

[http://www.europarl.europa.eu/RegData/etudes/note/join/2012/494458/IPOL-JOIN\\_NT\(2012\)494458\\_EN.pdf](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, four per cent in Ireland, and 29 per cent in Cyprus (compared to June 2012). A DGS could help prevent deposit flight and 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) needs to be further assessed. (Equally, the opportunity cost for Member States or financial institutions providing for the scheme is not discounted). A study in one affected Member State has estimated the cost in terms of lending foregone as a result of the status quo at around 0.9 per cent of GDP<sup>32</sup>.

#### EP position in this field

The European Parliament notes that the eurozone is in a unique situation, with participating Member States sharing a single currency but no common budgetary policy or common bond market. In that context, it proposed an EU financial stability fund for the banking sector and a Common Deposit Insurance Scheme. Schemes at European level are intended to reduce risks for households and to limit the need for national public money to recapitalise failed banks. The use of public money in Member States to recapitalise national banks in turn increases the burden of public debt and the risks of sovereign debt, with important cross-border effects. The Parliament 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.

EP resolution of 16 January 2013 on *The feasibility of introducing stability bonds (2012/2028(INI))*.  
Rapporteur: Sylvie GOULARD (ALDE Group), ECON Committee.  
EP plenary vote: FOR: 361 - AGAINST: 268 - ABSTENTIONS: 33.

<sup>31</sup> Graham Stull, EP European Added Value Unit, *Towards a Genuine Economic and Monetary Union: European Added Value Dimensions*, European Parliament, October 2012.

<sup>32</sup> S. Holten, 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 26.0 billion euro per year, on a more cautious estimate. 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 Cost of Non-Europe Report on this subject<sup>33</sup> - 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](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, partially exempted from the single market. The existence of 28 compartmentalised national markets, each with their own administrative burden and regulated separately, hinders competition and results in a missed opportunity for economies of scale for industry and production.

The upper figure of 130 billion euro was calculated in the past by comparing United States and European costs, assuming European efficiency levels to be only 10 to 15 per cent of those in the US<sup>34</sup>. That estimate assumed a hypothetical single EU defence system, with the same cost structure, operating conditions and budget efficiency as the US one. This would have permitted a European budget of 62.9 billion euro, instead of the 193 billion euro actually spent.

Efficiency gains through greater cooperation	Amount in euro per year (billion)
Efficiency gains in industry	10,000
Certification of ammunition	500
Standardisation of ammunition	1,500
Offsets	6,610
Efficiency gains in land forces	6,500
Efficiency gains in infantry vehicles	600
Efficiency gains in air-to-air refuelling	240
Efficiency gains in basic logistic support	30
Efficiency gains in frigates	390
<b>Total Cost of Non-Europe</b>	<b>26,370</b>

<sup>33</sup> Blanca Ballester, EP European Added Value Unit, *European Common Security and Defence Policy. Cost on Non-Europe Report*, European Parliament, December 2013.

<sup>34</sup> Unisys, 2005.

An alternative 'bottom up' figure, used in the Parliament's Cost of Non-Europe Report, can be constructed by calculating a specific efficiency gains field by field. With 10 per cent industrial efficiency gains, due to greater cooperation, the figure comes in at least 26 billion euro per year (at 2011 prices).

## Other estimates of Cost of Non-Europe

There is a growing literature on this subject. A recent study by the Istituto Affari Internazionali<sup>35</sup> 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 Bertelsmann Stiftung<sup>36</sup> argues that there is potential for significant economic gains from having smaller, consolidated land forces: the potential saving to the EU Member States would be some 6.5 billion euro per year.

## EP position in this field

The European Parliament has requested political action in three dimensions of security and defence policy: visibility, capabilities and industry. Overall, the Parliament has drawn attention to the changing global strategic landscape and to reduced defence budgets, 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. A European defence industry strategy should have the aim of optimising Member State capabilities, by coordinating the development, deployment and maintenance of a range of capabilities, installations, equipment and services.

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.

EP plenary vote: FOR: 421 - AGAINST: 104 - ABSTENTIONS: 80.

EP resolution of 21 November 2013 on the *European Defence Technological and Industrial base* (2013/2125(INI)).

Rapporteur: Michael GAHLER (EPP Group), AFET Committee.

EP plenary vote: FOR: 451 - AGAINST: 103 - ABSTENTIONS: 67.

---

<sup>35</sup> Istituto Affari Internazionali, *I costi della Non-Europa della Difesa*, 2013.

<sup>36</sup> 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.

## 9. Transatlantic Trade and Investment Partnership (TTIP)

### Potential efficiency gain: 60 billion euro per year

#### Key proposition

There could be significant potential gains for the European economy from the Transatlantic Trade and Partnership (TTIP) Agreement currently being negotiated between the European Union and the United States. Based on an independent report of 2013<sup>37</sup>, the European Commission estimates that the EU economy should be boosted by 0.5 per cent of GDP, or 120 billion euro annually, once such an agreement were fully implemented, bringing a gain to each household of 545 euro.

In this paper, a more cautious approach is adopted, assuming only half of the asserted potential benefits from the TTIP. The final figure retained is thus 60 billion euro per year.

#### More detailed analysis

A study published in 2013 by the Commission, in the framework of its impact assessment, reviews the importance of the bilateral economic relationship and provides computable general equilibrium (CGE)-based estimates for the economy-wide impact of reducing both tariff and non-tariff barriers (NTBs).

The analysis uses the non-tariff barrier (NTB) estimates made in an earlier study of 2009 (see below). It investigates different policy options for the deepening of the bilateral trade and investment relationship between the EU and US. These range from partial agreements limited in scope to a fully-fledged free trade agreement with a comprehensive liberalisation agenda, covering simultaneously tariffs, procurement, NTBs for goods and NTBs for services. The results suggest positive and significant gains for both economies. Under a comprehensive agreement, EU GDP is estimated to increase by between 68.2 and 119.2 billion euro, and US GDP by between 49.5 and 94.9 billion euro (under the less ambitious and more ambitious scenarios respectively). 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 increase by 6.0 per cent in the EU and by 8.0 per cent in the US. Reducing NTBs would be a key part of transatlantic liberalisation, with as much as 80 per cent of the total potential gains coming from cutting costs imposed by bureaucracy and regulations, as well as from liberalising trade in services and public procurement.

#### Other estimates of Cost of Non Europe

The 2009 Ecorys study<sup>38</sup> estimated that eliminating half of the NTBs caused by regulatory divergence could increase EU GDP by 0.7 per cent in 2018, compared to the baseline scenario of doing nothing. This would represent an annual potential gain of 122 billion euro.

A report for the Atlantic Council<sup>39</sup> estimated that the 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, American households are estimated to gain approximately USD 865 annually, while their European counterparts would gain USD 720 (equivalent to 526 euro).

---

<sup>37</sup> 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.

<sup>38</sup> ECORYS, *Nontariff measures in EU-US trade and investment - an economic analysis*, ECORYS Nederland, 2009.

<sup>39</sup> Bertelsmann Foundation, *TTIP and the 50 States: Jobs and growth from coast to coast*, 2013.

A 2013 CEPR study<sup>40</sup> in Britain estimated that a successful TTIP would yield an increase GDP in the United Kingdom of between 0.14 and 0.35 per cent (equivalent to GBP 4.0 and 10.0 billion annually). Most of the likely gains are attributed to lowering of NTBs in goods. Aggregate exports (to all countries) would be expected to increase by 1.2 and 2.9 per cent, and imports by 1.0 and 2.5 per cent. The sector most strongly affected would be motor vehicles, where output increases by as much as 7.3 per cent.

A CEPPII study<sup>41</sup>, also published in 2013, suggested that that trade in goods and services between the EU and US would increase by approximately 50 per cent on average, including a rise of 150 per cent for agricultural products. Eighty per cent of the expected trade expansion would stem from lowered NTBs. There an annual increase in national income could be USD 98 billion for the EU and of USD 64 billion for the US.

## EP position in this field

In March 2013, the European Commission sent a draft negotiating mandate to the Council on TTIP. In May 2013, the 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'.

European Parliament 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.

---

<sup>40</sup> CEPR, *Estimating the economic impact on the UK of TTIP agreement between the EU and US*, March 2013.

<sup>41</sup> CEPPII, *Transatlantic Trade: Whither partnership; which economic consequences?*, September 2013.



## 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 some 50 billion euro. This figure takes into consideration both the European Parliament's own assessment of the situation in specific four dimensions 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<sup>42</sup> 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'<sup>43</sup> 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, of which 80 per cent are supplied at the regulated tariff, the total tariff deficit would be around 720 million euro per year. This could mean a 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 countries (Germany, France, Luxemburg, Netherlands, Belgium and Austria) was 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. Capital costs thus avoided were estimated at 1.2 billion euro per year and fixed operational costs at 448 million euro per year. This indication of the cost of non-Europe for the six countries 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 intraday auction results; the cost of implicit auctions, and, finally, the cost difference was estimated. 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 his centre, saves around 300 million euro per year.

---

<sup>42</sup> Micaela del Monte, EP European Added Value Unit, *The Cost of Non-Europe in the Single Market for Energy*, European Parliament, September 2013.

<sup>43</sup> 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 Cost of Non-Europe

There is an extensive economic literature on the untapped potential of the closer cooperation in energy policy in Europe. The table below provides a short summary of the most recent calculations, some calculating the gain at almost 200 billion euro:

Sectors	Amount in euro (billion)
<b>Gas and Electricity</b>	
Study on the benefits of integrating the energy market <sup>44</sup>	12.5 - 40
A report on the cost of not having an integrated EU energy market for gas estimates that full implementation of the third energy package in 2015 compared to 2012 could reach a maximum of 8 billion euro per year <sup>45</sup>	8 - 30
EU consumers could save about 13 billion euro in total if they switched to the cheapest electricity tariff they could find <sup>46</sup>	13
Savings equivalent to 15 billion euro per year are possible if uncompetitive price differentials between EU MS are addressed <sup>47</sup>	15
<b>Renewables</b>	
Gains of 16 billion to 30 billion euro are available in the period 2015-2030 under the coordinated renewable investment scenario <sup>48</sup>	16 - 30
Total renewable production could increase to 238 Mtoe by 2020, and with unchanged fuel prices, would enable avoided imported fuel costs of 50 billion euro in 2020 <sup>49</sup>	50
Total gross value added of the RES sector in the EU in 2020 would amount to 99 billion euro (0.8 per cent of total GDP). Based on 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 <sup>50</sup>	99 - 197
EU-wide renewable energy trading and achieving the 20 per cent renewable energy target cost efficiently in all MS would reduce costs in overall energy system by up to 8 billion euro <sup>51</sup>	8
<b>Energy efficiency</b>	
By 2020 a 20 per cent increase in energy efficiency in buildings could save 32 per cent primary energy in Europe, 2.6 billion barrels of imported oil per year and 193 billion euro per year <sup>52</sup>	193
Energy efficiency could cut EU's energy bill by about 200 billion euro per year <sup>53</sup> .	200

<sup>44</sup> This recent study commissioned by the European 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 2015-2030. Further, it is expected that EU-wide sharing of balancing reserves would amount to annual net benefits of up to 0.5 billion euro. Additional material gains the order of 4.0 billion euro could come from using smart grids to facilitate demand side response at the consumer level. Booz&Co, *Study on the benefits of an integrated European energy market*, 2013:

[http://ec.europa.eu/energy/infrastructure/studies/doc/20130902\\_energy\\_integration\\_benefits.pdf](http://ec.europa.eu/energy/infrastructure/studies/doc/20130902_energy_integration_benefits.pdf)

<sup>45</sup> *Energy challenges and policy* - Commission contribution to the European Council of 22 May 2013.

<sup>46</sup> [http://ec.europa.eu/energy/gas\\_electricity/consumer/consumer\\_en.htm](http://ec.europa.eu/energy/gas_electricity/consumer/consumer_en.htm)

<sup>47</sup> *Energy challenges and policy* - Commission contribution to the European Council of 22 May 2013.

<sup>48</sup> Booz&Co, op cit.

<sup>49</sup> *Energy Economic Development in Europe*, January 2014.

[http://ec.europa.eu/economy\\_finance/publications/european\\_economy/2014/pdf/ee1\\_en.pdf](http://ec.europa.eu/economy_finance/publications/european_economy/2014/pdf/ee1_en.pdf)

<sup>50</sup> *The impact of renewable energy policy on economic growth and employment in the European Union*, study commissioned by the European Commission, 2006.

<sup>51</sup> *Energy challenges and policy* - Commission contribution to the European Council of 22 May 2013, page 6.

<sup>52</sup> *Energy Priorities for Europe*, Presentation of J.M. Barroso to the European Council of 22 May 2013.

<sup>53</sup> *Background on Energy in Europe*, Information prepared by the European Commission for the European Council, 4 February 2011.

## EP position in this field

In November 2012, the European Commission presented a Communication entitled 'Making the Internal Energy Market Work', accompanied by an Action Plan (COM(2012)663). In that context, the European Parliament has stressed the need to progress in the implementation of the Third Internal Energy Market Package, particularly its effective transposition. It also stressed 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 attention to the needs of vulnerable consumers.

EP Resolution of 10 September 2013 on *Making the internal energy market work* (2013/2005 (INI)).

Rapporteur: Jerzy BUZEK (EPP Group), ITRE Committee.

VOTE: Show of hands.

## 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 would have a positive effect on economic growth. A European Added Value Assessment<sup>54</sup> on the application of the principle of equal pay for equal work of equal value, drafted in support of a legislative initiative in the European Parliament on this subject, found that each one per cent reduction in the GPG would result in an increase in GDP of 0.1 per cent. A European-level initiative in this field, if it led to a reduction of the GPG of only between one per cent across the EU, would boost EU GDP by 17 billion per year. For the purposes of this paper, a more cautious figure of 13 million euro has been retained.

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

[http://www.europarl.europa.eu/RegData/etudes/etudes/JOIN/2013/504469/IPOL-JOIN\\_ET\(2013\)504469\\_EN.pdf](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 to 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 one per cent reduction in the GPG would result in an increase in GDP of 0.1 per cent, it follows that a two per cent reduction in the GPG would increase GDP by some 34 billion euro (or 67.71 euro per capita across the EU), and a one per cent reduction in the GPG would increase GDP by approximately 17 billion euro. These estimates do not take into account the heterogeneous situation across EU Member States in terms of GPG, given that some states have already partly implemented some of the Parliament's recommendations. This is why the final figure retained here is 13 billion euro per year.

#### Other estimates of 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 a reduction in low income benefit payments, a change in the fertility rate, and an increase in female employment.<sup>55</sup> A 2012 OECD study<sup>56</sup> concluded that on average a 50 per cent decrease in the gender gap in labour force participation rates leads to an increase in the GDP per capita annual growth rate of 0.3 per cent. If full convergence occurred by 2030, the increase would be 0.6 per cent (equivalent to an overall increase of 12 per cent in GDP over 20 years).

---

<sup>54</sup> Micaela del Monte, EP European Added Value Unit, *European Added Value Assessment on the application of the principle of equal pay for men and women for equal work of equal value*, European Parliament, June 2013.

<sup>55</sup> 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.

<sup>56</sup> <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 their 17 per cent GPG costs the Australian economy 8.5 per cent of GDP, representing AUD 93 billion each year. The same study argued that the Australian economy would grow by 0.5 per cent of GDP - AUD 5.5 billion - if the gender wage gap was reduced by only one per cent<sup>57</sup>. A United Kingdom study in 2006<sup>58</sup> 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 to 2 per cent of GDP (GBP 15 and 23 billion) each year.

## EP 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 on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation before February 2013.

In its official response to this report, the European 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 Committee on Women's Rights and Gender Equality (FEMM) of the European Parliament asked for a European Added Value Assessment to be prepared as a follow-up and to provide additional justification for the legislative initiative report.

EP resolution of 24 May 2012 on *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.

EP plenary vote: FOR: 482 - AGAINST: 160 - ABSTENTIONS: 35.

---

<sup>57</sup> [http://www.actu.org.au/Images/Dynamic/attachments/6895/NATSEM\\_per\\_cent20factsheet.pdf](http://www.actu.org.au/Images/Dynamic/attachments/6895/NATSEM_per_cent20factsheet.pdf)

<sup>58</sup> Women and Work Commission, *Shaping a Fairer Future*, February 2006.

## 12. VAT and Action against Tax Evasion

### Potential efficiency gain: 7 billion euro per year

#### Key proposition

In addition to being illegal, tax evasion leads to an inefficient and distorted allocation of resources in the economy. Given the extensive shortfall in VAT receipts, a benefit of around 7.0 billion per year could be credibly 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.

#### More detailed analysis

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 assessed.

According to a recent study on the 'VAT gap' in 26 Member States<sup>59</sup>, 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. 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 from bankruptcies and insolvencies, statistical errors, delayed payments and legal avoidance, *inter alia*. In the absence of a comprehensive study quantifying the economic gains from a stronger and better coordinated EU tax policy, it seems plausible to estimate that limited new measures at European level, such as the introduction of a standardised European invoice, could bring a benefit of around 7.0 billion euro per year.

#### EP position in this field

The European Parliament has called on the European Commission to revise the Savings Taxation Directive to put an end to 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, to eliminate tax evasion via hybrid financial instruments. It has asked for a standardised European invoice to facilitate cross-border transactions and controls. For the time being, only a non-legislative initiative on VAT has been announced by the Commission.

EP Resolution of 21 May 2013 on *Fight against Tax Fraud, Tax Evasion and Tax Havens* (2013/2060(INI)).

Rapporteur: Mojca KLEVA KEKUS (S&D Group), ECON Committee.

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.

EP plenary vote: FOR: 521 - AGAINST: 50 - ABSTENTIONS: 58.

<sup>59</sup> 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.

## 13. Combatting Violence against Women

### Potential efficiency gain: 7 billion euro per year

#### Key proposition

The most recent Europe-wide figures on violence against women<sup>60</sup> indicate that 33 per cent of women have experienced physical and/or sexual violence since the age of 15. A recent European Added Value Assessment on combatting violence against women, drafted in support of a legislative initiative in the European Parliament, has estimated the economic cost of such violence at 69.0 billion euro annually (2011), or 0.5 per cent of EU GDP. This figure includes 45.0 billion euro a year in costs to public services and 24.0 billion euro in terms of economic output foregone. It is difficult to assess what would be the precise impact of an EU policy framework in this field. However, if it were to reduce violence by only 10 per cent, the direct economic costs in the economy could be reduced by approximately 7.0 billion euro per year.

The European Added Value Assessment<sup>61</sup> on this subject, undertaken for the European 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 estimate in the European Added Value Assessment are based on an extrapolation to the EU as a whole of British figures<sup>62</sup> published by the UK Department of Trade and Industry (DTI) in 2004, and quality-assured by the Office for National Statistics (ONS).

The figures were calculated by identifying the impacts of violence against women (costs); estimating their size; estimating their cost; attributing these costs to different stakeholders; and then scaling up from Member State to EU level.

Three main types of costs of violence against women identified and investigated were:

- services: the legal system (criminal and civil), health services (physical and mental) and specialised services (costs attributed to the state and public);
- 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);
- 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 following approaches have been retained to ensure best possible reliability of data:

- surveys - to determine the extent and nature of the major forms of violence against women;
- administrative data - to determine the extent of use of services by victims of violence against women and to determine the cost of units of service; and

---

<sup>60</sup> 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>

<sup>61</sup> Monika Nogaj, EP European Added Value Unit, *Combatting violence against women: European Added Value Assessment*, European Parliament, November 2013.

<sup>62</sup> S. Walby, *The Cost of Domestic Violence*, 2004.

- parallel studies of injury - use of authoritative studies of the impact of physical injury on: lost working time; use of health care services; and the public's willingness to pay to avoid such injuries.

The impacts for individuals and wider society for which the precise scale of effects are not known robustly were not included in the cost calculation.

The figures from the 2004 baseline study were then extrapolated to the EU in 2011 by:

- revising 'domestic violence against women and men' to 'gender-based violence against women', by deleting violence against men and adding sexual violence by non-partners;
- up-dating the costs for inflation between 2001 and 2011;
- extrapolating from England and Wales to 'United Kingdom'
- up-dating the rate of violence against women from that found in 2001 to that in 2011.
- extrapolating from United Kingdom to the EU28 as a whole.

On this basis, the total cost of violence against women for the EU28 was estimated at 226 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 157 billion euro annually as the cost of the pain and suffering of the victims. As the monetisation of the cost of the pain and suffering is difficult, it is retained for the purpose of this analysis. As a result, the cost of violence against women is considered to be at least 69.0 billion euro per year, or 0.5 per cent of EU GDP. It is difficult to assess what would be the impact of an EU policy framework on reducing violence against women. If it were to reduce violence by 10 per cent only, the direct economic costs would be reduced by approximately 7.0 billion euro per year.

## Other estimates of Cost of Non-Europe

In a 2006 study<sup>63</sup>, the Council of Europe provided a rough comparative analysis of the cost estimates for domestic violence among its member states. The study concluded that the costs lay in a range of about 20 to 60 euro for every person in the population per year (2006 prices). Another 2006 study<sup>64</sup>, funded by the European Commission under the Daphne programme, focussed on domestic violence. It estimated the economic cost of the latter at 16 billion euro annually for EU Member States (2006 prices). The numbers, include medical, justice and police, social and economic costs.

## EP position in this field

The European Parliament has repeatedly called on the European Commission to propose a specific and comprehensive legal instrument to combat violence against women. (For example: BASTOS report on the Daphne programme: achievements and future prospects (2011/2273(INI)), SVENSSON report on Priorities and outline of a new EU policy framework to fight violence against women (2010/2209(INI)).

The Commission has so far not proposed such a specific legislative measure. In June 2013, the so called-'Victim's Package' was adopted. Although clearly a step forward, the Parliament considers this instrument insufficient to comprehensively deal with the problem. It decided to prepare a legislative initiative report, accompanied by a European Added Value Assessment, in order to reiterate its call to submit a proposal for a legislative act establishing measures to promote and support action of Member States in the field of prevention of violence against women. The Rapporteur proposes a combination of legislative and non-legislative measures, including:

<sup>63</sup> Carol Hagemann-White, *Combatting violence against women, Stock-taking study on the measures and actions taken in Council of Europe Member States*, 2006.

<sup>64</sup> Psytel, Ingénierie de l'information, *Estimated cost of domestic violence in Europe (IPV EU cost - 2006)*, 2006.



- 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 activation by the EU Council of the *passerelle* clause, by adopting a unanimous decision to include gender-based violence as an area of crime listed under Article 83(1) TFEU;
- the launching of the procedure for the accession of the EU to the Istanbul Convention;
- 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: Antoniya PARVANOV (ALDE Group), FEMM Committee.

Adopted in Plenary on 25 February 2014.

VOTE: Show of hands.

## 14. Information and Consultation of Workers

### Potential efficiency gain: 3 billion euro per year

#### Key proposition

More systematic information and consultation of workers, especially at times of restructuring, could bring 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 and related costs on social welfare systems (notably in health-related treatment). The European Parliament's recent European Added Value Assessment on the subject<sup>65</sup> has 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 of 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 European Parliament own assessment was to provide an estimation of the potential impact of the measures outlined in the Cercas report. In order to do so, first selected information on the existence of these practices at Member State level was used to construct a baseline scenario. The assessment then looked at the impacts at company level associated with the recommendations put forward by the Parliament. The main impacts investigated included: impact on number of redundancies, impact on the 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 impact evidence was combined with information concerning the baseline situation, to provide an assessment of the aggregate impact at Member-State level. Finally, compared to the effectiveness of measures at company level, their impact at EU level was further reduced by approximately 50 per cent, to take into consideration the unequal distribution of current performance, as well as planned job reductions across Member State.

The main conclusions were that, distributed over all EU Member States, early consultation would reduce the number of redundancies by approximately 22 per cent, compared to an estimated effectiveness of 43 per cent at company level. Had this taken place in 2011, when there were 464,000 planned reductions, 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.

According to the Organisation for Economic Cooperation and Development (OECD), labour productivity is defined 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

---

<sup>65</sup> Micaela del Monte, EP European Added Value Unit, *European added value of an EU measure on information and consultation of workers: anticipation and management of restructuring processes*, European Parliament, November 2012.

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 USD 26.2 per hour in Poland to USD 77.1 per hour in Luxembourg, with the eurozone having a labour productivity of around USD 51 per hour. Based on a cautious assumption of the average of labour productivity per hour at EU28 level of USD 26 per hour, the economic added value of the proposed measure was estimated to be around USD 40 950 per year per unit labour. This figure was obtained by multiplying the labour productivity by the labour hours in a given week and then by the labour weeks in a year (26USD\*35H\*45W). This figure, multiplied by the number of estimated reduction of redundancies in 2011, gives a figure of approximately USD 4.0 billion, equivalent to 3.0 billion euro.

## Other sources for 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 benefitted from training and career guidance in the transition process<sup>66</sup>. 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<sup>67</sup>.

## EP position in this field

The European Parliament has requested the European Commission to submit, on the basis of Article 225 TFEU and after consulting the social partners, a proposal for a legal act based on its 14 recommendations for strategic restructuring operations of companies and group of companies. It calls on the Commission to ensure that dismissals are seen as a last resort, after having considered all possible alternatives, without this diminishing the competitiveness of enterprises. Moreover, the Commission is called upon 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.

In its response to this report, the Commission indicated that it did not intend to present a legal act but would put forward a Communication on establishing a Quality Framework for restructuring and anticipation of change. The Communication was presented by the Commission in December 2013<sup>68</sup>.

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.

EP plenary vote: FOR: 503 - AGAINST: 107 - ABSTENTIONS: 72.

<sup>66</sup> Gazier, International Labour Organisation (ILO), 2005.

<sup>67</sup> Torres, *Social accompaniment measures for globalisation: sop or silver lining?*, 2005.

<sup>68</sup> COM(2013)882.

## 15. Single European Transport Area

### Potential efficiency gain: 2.5 billion euro per year

#### Key proposition

Substantial progress has made over the last quarter century in putting in place a common transport policy within the European Union, by removing barriers, increasing competition, and improving quality of service and safety, especially in the road, rail and air transport sectors. However, substantial further efficiency gains could be made from further action to create a more fully integrated transport sector. Existing studies suggest that the minimum economic benefit from a further deepening of the single market in transport in its various forms would be at least 2.5 billion euro per year. Further work on the subject, in the form of a Cost of Non-Europe Report, is currently being undertaken for the European Parliament's Committee on Transport and Tourism.

#### More detailed analysis: methodology and detailed explanation

There is at present no comprehensive estimation of the Cost of Non-Europe in the overall single market in transport. However, an assessment is being undertaken by the European Parliament in the form of a Cost of Non-Europe Report, from which a preliminary figure should be available in April 2014. It will analyse and quantify costs and benefits in selected sectors of transport and tourism, in particular, notably road, rail, air and water transport, and tourism and passengers' rights.

Existing studies, however, do already point to significant gains from targeted action in specific sectors. In railway transport, a quantitative impact assessment<sup>69</sup> has estimated the net gains from further market opening, from greater open tendering for public service contracts and from continued unbundling to be in the range between 18.0 and 32.0 billion euro over a 17-years period from 2019 (when the full effect can be expected). If the lower figure is retained for the purpose of a cautious estimate, this would mean benefits in the region of one billion euro per year.

Further economic benefits 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<sup>70</sup>. 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 bring 508 million euro over the period from 2015-2025, or some 50.0 million euro per year.

In water transport, significant benefits are to be expected from the liberalisation of the provision of port services and the increased financial transparency of ports<sup>71</sup>. 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<sup>72</sup> highlighted a number of problems, including less than full use of capacity at some airports and the difficulties faced by carriers trying to grow their operations at

---

<sup>69</sup> Steer Davies Gleave, *Further action at European level regarding market opening for domestic passenger transport by rail - Ensuring non-discriminatory access to rail infrastructure and services*, Steer Davies Gleave for European Commission, November 2012.

<sup>70</sup> Steer Davies Gleave, *Impact assessment support study on the revision of the institutional framework of the EU railway system, with a special consideration of the European Railway Agency*, Steer Davies Gleave for European Commission, June 2012.

<sup>71</sup> 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) 182 final.

congested airports, in order to provide real competition to incumbent carriers. 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 on 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).

In the road sector, further gains are to be expected from the liberalisation of cabotage. Preliminary analysis points to gains in the tens of millions of euro. A figure of 50 million euro per year is retained for the purpose of this analysis.

By adding the potential gains in these four areas, one can already arrive to a total minimum figure of around 2.5 billion euro per year. However, as this estimation only takes account of specifically identified gaps for which figures are already available, and is by no means comprehensive, it is reasonable to assume that it comes in at the lower end of potential economic gains.

## Other estimates of Cost of Non-Europe

A recent study for the European Commission has identified a number of shortcomings of the EU transport sector, such as the productivity gap in land transport of freight<sup>73</sup>. 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 per cent to 10 per cent.

## EP position in this field

The European Parliament has stressed the importance of a single European transport area, with interconnection and interoperability, based on a genuine European management of transport infrastructure and systems, 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 a 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 system* (2011/2096 (INI)).

Rapporteur: Mathieu GROSCH (EPP Group), TRAN Committee.

EP plenary vote: FOR: 523 - AGAINST: 64 - ABSTENTIONS: 37.

---

<sup>72</sup> European Commission, *Impact Assessment Accompanying the White Paper - Roadmap to a Single European Transport Area - Towards a competitive and resource efficient transport system*, Brussels, 28 March 2011, SEC(2011) 391 final.

<sup>73</sup> See for example: London Economics, PriceWaterhouseCoopers, *The cost of non-Europe: the untapped potential of the European Single Market: Final Report*, Bureau of European Policy Advisers (BEPA), 2013.

## 16. European Research Area

### Potential efficiency gain: 1 billion euro per year

#### Key proposition

Currently some 85 per cent of European publicly-funded research is undertaken at exclusively national level, without transnational collaboration, while only 15 per cent is coordinated either in intergovernmental organisations or spent jointly in the EU's Research Framework Programme<sup>74</sup>. The European Research Area (ERA) framework is 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 at least 1.0 billion euro per year, over a period of 15 years.

#### More detailed analysis

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

The European Commission's impact assessment<sup>75</sup> estimates that the combined effect of the Barcelona target, Horizon 2020 and an increased share of transnational funding would bring about 445 billion euro additional GDP growth and 7.2 million more jobs between now and 2030. This implies an annual growth of an additional 0.25 per cent of GDP. Assuming a uniform distribution of benefits over the years, the potential efficiency gain to the EU economy can be estimated at 2.16 billion euro per year as a result of an integrated European Research Area. 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 1.0 billion euro per year.

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).

#### Other estimates of Cost of Non-Europe

Other studies<sup>76</sup> indicate that EU-funded research activity has been characterised by a considerable growth in terms of participating entities and participations across successive Framework Programmes, resulting in substantially large networks (creation of critical mass)<sup>77</sup>.

---

<sup>74</sup> LERU. Advice Paper No.9, *The European Research Area: Priorities for Research Universities*, 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](http://www.leru.org/files/publications/LERU_AP9_ERA.pdf)

<sup>75</sup> European Commission, Impact Assessment accompanying the Communication - *A Reinforced European Research Area Partnership for Excellence and Growth*, SWD(2012)212 final.

<sup>76</sup> T. Roediger-Schluga, 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.

<sup>77</sup> European Commission, High-Level Panel on the Socio-Economic Benefits of the ERA, *Final report*, June 2012.

## EP position in this field

The signatories of a recent, broadly-based 'Manifesto' on the subject in the European Parliament advocated that the EU should adopt binding targets for Member States on investment in research and put in place an ERA Framework Directive. The signatories identified the following priorities in this field:

- *De-fragmentation*: greater coordination and consistency between national and EU research programmes are required in order to have common priorities in pursuit of common strategic objectives. Coordination is also necessary to prosecute a strategy of internationalisation of European research, making best use of potential global partnerships.
- *Cross-border cooperation*: minimum rules for ensuring interoperability of funding schemes, such as common principles and standards, rules for grant/funding applications, evaluation and reporting, as well as synchronisation of calls for proposals. In particular, there is a need for a more efficient ERA instrument for pooling national resources, in order to finance public as well as private research.
- *Research infrastructures*: a better synergy between national and EU public research funding and the Structural Funds should be pursued, both for an optimal operation and exploitation of existing research infrastructures and for the realisation and sustainability of new ones. Access by industry as a user and as co-developer of new technologies should also be facilitated.
- *Knowledge sharing*: cooperation between industry, public authorities and academia is essential. Private-Public Partnerships (PPPs) should be developed.
- *A European research career*: the attractiveness of a research career, at every stage, should be enhanced. Mobility is essential for the realisation of a future generation of European researchers, to be facilitated through portability of national grants, coordinated systems of social security, transparent publication of competitions, and implementation of the Charter and Code of Conduct for researchers.
- *Innovative doctoral programmes*: schemes and actions aimed at the realisation of transnational innovative doctoral programmes, such as those within the Marie Curie Actions, should be strongly supported, again in view of creating a new generation of European researchers, by awarding the institutions involved proper EU recognition.
- *'ERA Mark'*: this status would be awarded to research organisations and programmes which are able to make a significant contribution to a rapid implementation of the ERA.

EP Oral Questions and debate of 13 October 2013 on the *the finalisation of the European Research Area* (B7-0503/2013 and B7-0504/2013), tabled by Mrs SARTORI on behalf of the ITRE Committee.

## 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 in effect three different levels of development policy: i) the European 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; 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 from improving donor coordination, so reducing 'donor transaction costs'<sup>78</sup>, 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). Substantially larger savings could be achieved if the three-tier approach to development aid spending were replaced by coordinated budget.

The recent Cost of Non-Europe Report on this subject<sup>79</sup>, 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 the Bigsten et al. (2011) entitled *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. 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 (which have less administrative costs).

The analysis started with aggregate estimates of administrative aid costs of the EU27 Member States and the European Commission. All administrative costs that the donors report were included,

---

<sup>78</sup> 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.

<sup>79</sup> Monika Nogaj, EP European Added Value Unit, *The Cost of Non-Europe in Development Policy: increasing coordination between EU donors*, European Parliament, September 2013.



using data from the Development Assistance Committee (DAC) database, which are the most precise records available. It was then calculated how much of these costs could be saved if donors coordinated their development assistance, for instance through better division of labour, so that each donor concentrated on fewer countries and activities (without affecting the overall level of aid). This was done in two steps. Firstly, by estimating how much could be saved by reducing the number of partner countries for each donor. At present, the average number of partner countries per donor is 101. It is estimated, that a decrease in the number of partner countries per donor by 37 per cent (a standard variation in economics) would lead to a decrease in annual administrative costs for EU donors (EU27 plus Commission) by about 20 per cent, or 498 million euro in 2012 prices. Second, the potential cost savings were estimated by changing the 'aid modalities', i.e. by shifting money from projects to programmes (which have fewer administrative costs). To do this, the target set up in the Paris Declaration regarding the proportion of Programme-Based Approaches (PBA) was used as a reference. It was estimated that by increasing the proportion of PBA from the actual level for 2009, of 44 per cent, to 66 per cent (the Paris Declaration target), the administrative costs related to aid delivery would be lowered by 21 per cent. That would represent an annual cost saving of 306 million euro (for the EU27 plus Commission, at 2012 prices). Thus, total savings in transaction costs resulting from concentration on fewer countries and activities for the EU27 and Commission is about 800 million euro per year in 2012 prices. This is equivalent to about 1.4 per cent of EU development aid.

## Other estimates of Cost of Non-Europe

An earlier study by the Commission<sup>80</sup> sought to identify and measure costs of ineffective and fragmented aid and of potential savings in transaction costs. 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 one adds together the potential savings from reduction in the fragmentation at country and sector levels, as well as in activities (through a better division of labour), one reaches a figure of least 770 billion euro savings per year.

## EP position in this field

The European Parliament has requested the European Commission to submit, no later than the first semester of 2016, on the basis of Articles 209 and 210 of the TFEU, a proposal for an act concerning regulatory aspects of EU donor coordination on development aid, following the adoption and implementation of a road map of preparatory actions to facilitate the entry into force of these regulatory aspects. The regulation should cover in particular joint programming, so as to avoid unnecessary parallel processes, and division of labour at the country level (for example, by limiting the number of EU donors active in sector policy dialogue and cooperation activities) or between countries (by establishing better geographic concentration taking into account 'darling' and 'orphan' countries).

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.

VOTE: Show of hands.

---

<sup>80</sup> 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: 200 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 headquarters. Analysis undertaken for the European Parliament suggests that the benefit could range from 417 million euro, if one per cent of firms move, to at least 42.0 million euro a year, where only 0.1 per cent of firms move. The Parliament's European Added Value Assessment on this subject<sup>81</sup>, 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 one per cent of additional gross domestic product (GDP) could be gained if companies were not discouraged from transferring their seat by complex corporation procedures.

### More detailed analysis

An EU directive on the cross-border transfer of company seats would give a coherent solution to the current lack of freedom of movement and freedom of services that affect 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<sup>82</sup> 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. It can be argued that this is due mainly to the costs, time and administrative burden involved. Currently, a company can normally only undertake the cross-border transfer by setting up a subsidiary in another Member State and then merging into that subsidiary. A Cross-Border Merger Directive would allow companies to transfer 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 EU 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 in:

- on a high scenario, in which the number of firms moving is one per cent of all firms, 22.0 million euro per year;
- on a medium scenario, 10.0 million euro per year, assuming 0.5 per cent of presently active firms move;
- on a low scenario, 2.0 million euro per year, if the number of firms moving is 0.1 per cent of all firms.

---

<sup>81</sup> Blanca Ballester and Micaela del Monte, EP European Added Value Unit, *European Added Value Assessment of the Directive on the cross-border transfer of a company's registered office (14th Company Law Directive)*, European Parliament, February 2013.

<sup>82</sup> S. Rameloo, '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*, retrieved at [http://www.maastrichtjournal.eu/pdf\\_file/intersentia/MJ\\_19\\_04\\_0563.pdf](http://www.maastrichtjournal.eu/pdf_file/intersentia/MJ_19_04_0563.pdf)

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 figure, the indicative costs avoided in the medium scenario would be in the order of 200 euro per year in the form of start-up costs (if a new company has to be created) and merger costs avoided. More precisely:

- in the high scenario, in which the number of firms moving is one per cent of all firms, the costs avoided would be 417 million euro per year;
- in the medium scenario, they would be 207 million euro per year, assuming 0.5 per cent of firms move;
- in the low scenario, in which the number of firms moving is 0.1 per cent of all firms, the costs avoided would be 42 million euro per year.

Against this background, the European Added Value Assessment concluded that a directive in this field could yield significant efficiency gains (from avoided start-up and merger costs) for the European economy, and would not entail extra costs for companies concerned.

## **Other estimates of Cost of Non-Europe**

In 2007, the European Commission published an impact assessment<sup>83</sup> on a prospective directive on this issue (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.

## **EP 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 called on the European Commission to submit a proposal for a directive to facilitate the cross-border transfer within the European Union of a company's registered office. It notes that it should be the legislature – in the form of the Parliament and Council, on the basis of a Commission proposal - not the European Court of Justice, which should establish the relevant measures to give companies the freedom to transfer their seat.

EP resolution of 2 February 2012 on a *Company law directive on the cross-border transfer of company seats* (2011/2046(INI)).

Rapporteur: Evelyn REGNER (S&D Group), JURI Committee.

---

<sup>83</sup> [http://ec.europa.eu/internal\\_market/company/docs/shareholders/ia\\_transfer\\_122007\\_part1\\_en.pdf](http://ec.europa.eu/internal_market/company/docs/shareholders/ia_transfer_122007_part1_en.pdf)

## 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 is 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 European harmonised approach to Private International Law can be costly. It has been estimated that the codification of Private International Law could bring savings of at least 98.0 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<sup>84</sup>, 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 thirteen areas (see table), which correspond to identified 'gaps': these are areas directly related to the citizens' day-to-day lives which are unregulated at European level. In some cases, an area is considered as a 'gap' because there is absolutely no European Private International Law in place on the matter, whereas in other instances a gap has been found due to the absence of coverage of either the applicable law, the jurisdiction or the recognition of judgements.

When quantifying the cost of 'gaps', the following categories of impacts 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 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 due to 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 have been based on the European Commission's own estimates of the benefits of the single market achieved by 2008 in billion Euros. Assuming similar rates of benefits can be generated from the internal market (2012-2020), and on the basis that PIL may have a marginal one per cent impact on the achievement of this benefit, it has been possible to estimate the monetary value of this potential.

---

<sup>84</sup> Blanca Ballester, European Added Value Unit, *European Code on Private International Law: Cost of Non-Europe Report*, European Parliament, 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 problematic cases might be more numerous, and finally calculating the cost per problematic case for each one of the identified gaps.

#### Estimated Cost of Non-Europe per annum

Gaps in Private International Law at European level	Cost (euro million)
Legal capacity	7.5
Incapacity	16.8
Names and forenames	2
Recognition of de facto unions	8.7
Recognition of same-sex marriages	4.2
Parent-child relationships	19.3
Adoption decisions	1.65
Maintenance of de facto unions	13.1
Gifts and trusts	5.6
Movable and Immovable property	5.56
Agency	14
Privacy	1
Corporations	38.3
<b>Total Cost of Non-Europe</b>	<b>137.71</b>

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 40.0 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 98.0 million euro per year.

### Other estimates of the Cost of Non-Europe

There do not yet appear to be any similar estimates on the cost of non-Europe in PIL. However, a 2013 research paper drafted by GHK for the European Parliament has estimated the specific cost of to the citizen of problems with the acceptance of public documents at some 360 million euro per year<sup>85</sup>.

### EP 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.

EP resolution of 23 November 2010 on *Civil law, commercial law, family law and private international law aspects of the Action Plan Implementing the Stockholm Programme (2010/2080(INI))* .

Rapporteur: Luigi BERLINGUER (S&D Group), JURI Committee.

VOTE: Show of hands.

<sup>85</sup> GHK, *Cost of Non-Europe Report: Promoting the free movement of citizens by simplifying the acceptance of certain public documents in the EU*, 2013.

## 20. Codification of Passenger Rights

### Potential gains to be assessed

#### Key proposition

An important part of a 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 undertaken, 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 in one single code. Preliminary results of this research are expected in April 2014.

#### EP position in this field

The European Parliament has pointed to the need for forthcoming European Commission initiatives concerning passenger rights to tackle what is missing in the fragmented state of the existing regulations. Improved convergence between the different legislation in the four transport areas (air, rail, water and road transport) should be considered as a priority. The Parliament believes that a holistic approach is needed, to integrate all passenger rights into one comprehensive, consolidated legislative framework. 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.

EP resolution of 23 October 2012 on *Passenger rights in all transport modes* (2012/2067(INI)).

Rapporteur: BACH Georges (EPP), TRAN committee.

VOTE: Show of hands (normal method).

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.

EP plenary vote: FOR: 509 - AGAINST: 20 - ABSTENTIONS: 53.

## 21. Wastewater 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, whilst as much as 70 per cent of water supplied to cities may be wasted. The existing EU legislation in this field needs to be better implemented and to be adapted to take account of technological advances, notably enabling the greater re-use and recycling of wastewater.

At the request of the European Parliament's Committee on Environment, Public Health and Food Safety, research is currently being undertaken 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.

#### EP 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.

Specific gaps exist that need to be filled, both by adapting existing legislation to water policy priorities and by adopting new legislation to address the impact of specific sectors and activities. The Parliament has called for updating of the legislative framework to properly take into account technological advances for the reuse and recycling of water, in order to allow efficient reuse of treated wastewater and greywater, and to ensure that various activities producing significant amounts of water waste are duly covered by the Environmental Impact Assessment Directive. It has also encouraged the adoption of an EU policy on water shortages and droughts.

EP resolution of 3 July 2012 on *Implementation of EU water legislation*, (2011/2297(INI)).  
Rapporteur: Richard SEEGER (EPP Group), ENVI Committee.

## 22. 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 mutual societies, which now need to overcome significant obstacles to exercise freedom of establishment or to provide services. It would offer legal certainty and the possibility of economies of scale, so 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 already been drawn up on this subject<sup>86</sup>. 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 healthcare, insurance and social services to some 230 million European citizens and employ over 350,000 people. A legal statute for the European mutual society 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 against future crises. The full scale of potential efficiency gains has yet to be assessed.

#### EP 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 were made in relation to the objectives and scope of the proposal and to the future governance of European mutual 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 brought forward any new proposals which would give mutual societies a suitable legal instrument.

In March 2013, the Commission organised a stakeholder consultation on the results of a study it had commissioned on the 'current situation and prospects of mutuals in Europe'<sup>87</sup>, which found that the mutual landscape within the EU is very diverse and there is no clear all-encompassing legal concept of what defines a mutual organisation. The consultation suggested that there was strong support amongst respondents for the possibility of incorporating as a European mutual society.

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

<sup>86</sup> Blanca Ballester, EP European Added Value Unit, *A Statute for European Mutual Societies: European Added Value Assessment*, European Parliament, January 2013.

<sup>87</sup> [http://ec.europa.eu/enterprise/policies/sme/files/mutuals/prospects\\_mutuals\\_fin\\_en.pdf](http://ec.europa.eu/enterprise/policies/sme/files/mutuals/prospects_mutuals_fin_en.pdf)



## 23. 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 in the interaction of the EU institutions with the general public should reduce burdens and save time and money for citizens - as well as reduce the volume of litigation, improve resource efficiency, and help rationale IT systems and eGovernment services. Overall potential savings are significant, but as of yet difficult to assess. At the request of the European Parliament's Legal Affairs Committee, a European Added Value Assessment has been undertaken on this issue<sup>88</sup>, which 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 eGovernment field, the European Commission has separately noted 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.

#### EP 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. Such a Regulation should:

- aim to guarantee the right to good administration by means of an open, efficient and independent administration based on a European Law of Administrative Procedure;
- apply to the Union's institutions, bodies, offices and agencies (the Union's administration) in their relations with the public. Its scope should therefore be limited to direct administration;
- codify the fundamental principles of good administration and should 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;
- include a universal set of principles and should 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(INL)).

Rapporteur: Luigi BERLINGUER (S&D Group), JURI Committee.

EP plenary vote: FOR: 572 votes - AGAINST: 16 - ABSTENTIONS: 12.

<sup>88</sup> Monika Nogaj, EP European Added Value Unit, *Law of Administrative Procedure of the European Union: European Added Value Assessment*, European Parliament, November 2012.

## 24. 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<sup>89</sup> 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. 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 Parliament, at the request of its Committee on Culture and Education, to identify the potential of greater cross-border voluntary activity to the European economy, with preliminary results expected in April 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 on non-action; examine the legislative actions already requested in EP reports, in the light of follow-up so far given by the European Commission.

#### Other estimates of Cost of Non-Europe

The European Volunteer Centre's 2006 Manifesto<sup>90</sup> for volunteering in Europe estimated the economic value of volunteering in UK at more than 65.0 billion euro per year, or 7.9 per cent of GDP. It suggested that for every one 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 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 three to five per cent of the economically active population. It estimated that in the 37 countries studied they contributed to USD 400 billion to the global economy, an average of one per cent of GDP.

#### EP position in this field

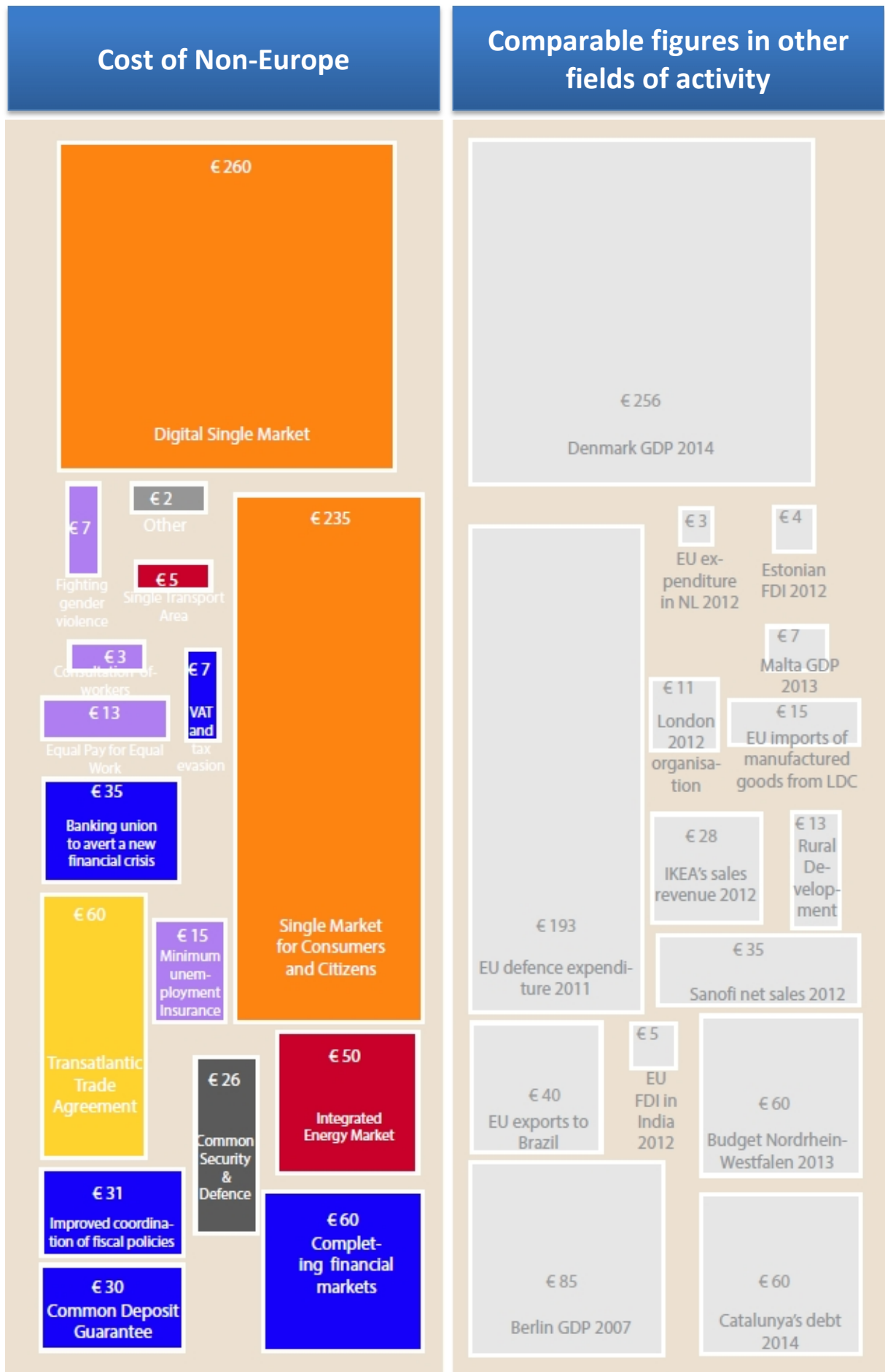
The European Parliament has stressed that ease of access to volunteering - as regards cost, availability of information and infrastructure, and provision of liability and accident insurance cover - are essential if volunteering is to be promoted among all age groups. As an active method of building civil society, volunteering can contribute to the development of intercultural dialogue and play a major role in combatting prejudice and racism. It has asked the 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.

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

<sup>89</sup> GHK, *Volunteering in the European Union*, 2010, available at:

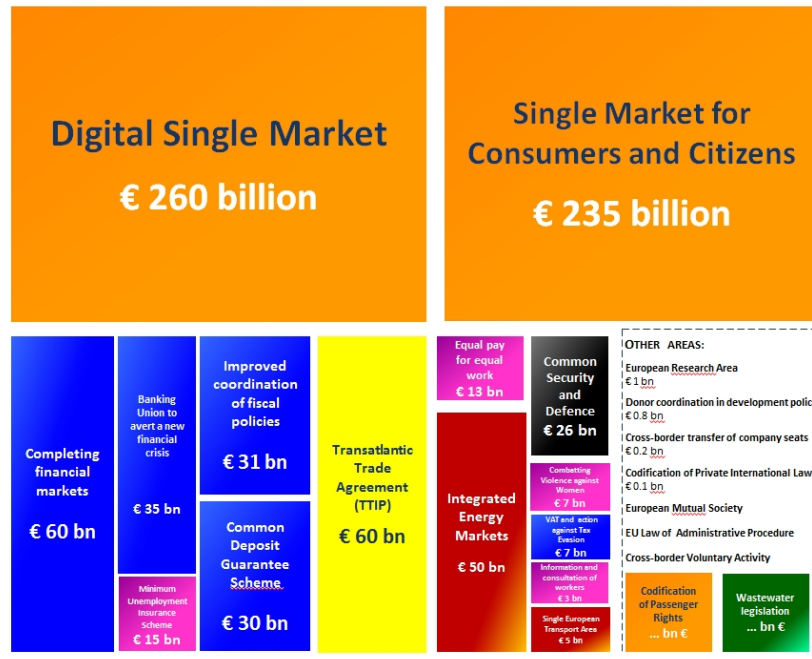
[http://ec.europa.eu/citizenship/about-the-europe-for-citizens-programme/studies/index\\_en.htm](http://ec.europa.eu/citizenship/about-the-europe-for-citizens-programme/studies/index_en.htm)

<sup>90</sup> European Volunteering Centre, *Manifesto for Volunteering in Europe*, 2006.



## Cost of NON-EUROPE Map

TOTAL: ± € 800 bn



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 the 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 analysis so far suggests that the European economy could be boosted by some 800 billion euro - or six 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 for the coming five-year institutional cycle, from 2014 to 2019.

This is a publication of the  
 Directorate for Impact Assessment and European Added Value  
 Directorate-General for Parliamentary Research Services, European Parliament



PE 510.983  
 ISBN: 978-92-823-5391-2  
 DOI: 10.2861/52903  
 CAT: QA-04-14-121-EN-C