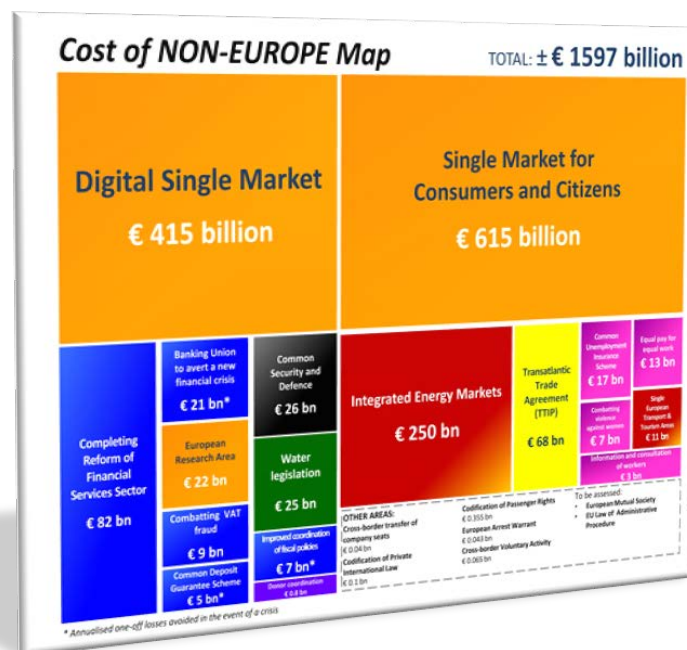




Mapping the Cost of Non-Europe, 2014-19



STUDY

European Added Value Unit
 European Parliamentary Research Service
 European Parliament
 PE 536.364
Third edition: April 2015

EDITOR:

Joseph Dunne

Email contact: 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 Services (EPRS),
European Parliament,
B-1047 Brussels.

With the support of:

EP 2025 Long-Term Trends Team,
Office of the Secretary-General.

LINGUISTIC VERSIONS:

Original: EN

Manuscript completed in April 2015
Brussels, © European Parliament, 2015

This text is the third edition of a study previously published in March and July 2014.

DISCLAIMER

The content of this document is the sole responsibility of the author and any opinions expressed therein do not necessarily represent the official position of the European Parliament. It is addressed to the Members and staff of the EP for their parliamentary work. Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged and the Parliament is given prior notice and sent a copy.

PE 536.364

ISBN: 978-92-823-6264-8

DOI: 10.2861/445576

CAT: QA-06-14-150-EN-C

Mapping the Cost of Non-Europe

This paper embodies work-in-progress on a long-term project being undertaken by the European Parliament's European Added Value Unit, in conjunction with the office of the Secretary-General, to try to identify and analyse the 'cost of non-Europe' in certain policy fields. It is intended as a contribution to the on-going discussion about the European Union's policy priorities for the current five-year institutional cycle, running from 2014 to 2019. The paper was first published in March 2014, was updated four months later to incorporate new material, and is now being updated once again to take account of further research undertaken in recent months.

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 the economic benefit of undertaking - and the 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 as a whole. An example of additional GDP generated would be the potential multiplier effect over time of widening and deepening the digital single market on a continental scale, or indeed of further completing the existing single market in goods and services. 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. An example of potential future costs avoided would be the benefit of effective action to forestall any future banking or sovereign debt crises (although the benefit here would be of a one-off, rather than recurring, character).

The analysis in this paper builds in large part on a series of more detailed pieces of work undertaken for individual European parliamentary committees by the European Added Value Unit over the last two and a half 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 other research, undertaken independently by outside think tanks and academic bodies, that relates to other major requests made by the Parliament in its various legislative and own-initiative reports in recent years.

The 'Cost of Non-Europe Map' featured on the cover of this paper and on page 10 of the text constitutes 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 as a result of parliamentary requests, were to be put fully into effect. Each of the individual segments is then 'unpacked' in a more detailed analysis which follows, with references to the relevant studies, internal or external, from which the basic calculation derives. Obviously, neither the map nor the detailed analysis behind it purport to make exact predictions - as all predictions depend on assumptions that must be subject to continuous refinement - but they can and do illustrate the potential order of magnitude of possible efficiency gains from common action in these fields that could be realised over time.

The potential gains mentioned in this paper represent the total increase in annual EU GDP after a full phasing-in of proposed reforms over several years. In other words, they represent a permanent shift in EU GDP to a higher level. Our conclusion is that if the policies analysed in this paper were to be pursued effectively, the economic benefit would build up annually to a point where, on present calculations, almost 1.6 trillion euro - or currently about 12 per cent of EU-28 GDP (2014) - might eventually be added to the size of the European economy.

Mapping the Cost of Non-Europe, 2014-19 seeks to provide a reliable estimate of the magnitude of potentially measurable gains to the EU economy from the various policy initiatives listed. It is based on work from a variety of sources, which are referenced in footnotes, often with hyperlinks. When an underlying study offers a range of potential gains, the low-range value is usually selected. The paper thus errs on the side of caution in estimating potential gains - there is substantial upside potential to this estimate over the medium to long term, from dynamic effects that cannot easily be quantified.

Different macro-economic models have been used in the underlying studies cited. Most estimates are continuous, in that they relate to on-going benefits which recur. However, it should be noted that certain specific scenarios are non-continuous - specifically, the estimates for the potential benefits of a fully-fledged Banking Union, of improved fiscal coordination, and of a common deposit guarantee scheme, are calculations of one-off losses which can be avoided in a future crisis scenario, in a particular year, by putting appropriate arrangements in place now. Since we know from experience that significant financial or banking crises affecting the European economy tend to occur approximately once a decade, we have calculated that the annual benefit of putting in place such measures would be broadly equivalent to dividing the anticipated one-off loss by ten, thus arriving at a reasonable estimate of the potential GDP loss avoided.

It is worth noting that the analysis in this paper dovetails with wider research being undertaken in the academic and think-tank community, both in respect of particular

EU policies and the wider benefits of EU membership itself. For example, a study released in spring 2014 by Campos, Coricelli and Moretti,¹ which attracted a good deal of public attention, sought to quantify the economic benefits of EU membership for the 19 member states which acceded to the Union in the successive enlargements from 1973 to 2004. Although the size and nature of the economic gain might vary by member state, and derive predominantly from different factors in each case - whether intra-EU trade liberalisation (for the ten member states joining in 2004), the single market (for the United Kingdom), the single currency (for Ireland) or labour productivity (for Finland, Sweden and Austria) - the overall conclusion was that national incomes are now on average 12 per cent higher in those countries than they would otherwise be, as a result of membership and its associated economic integration. Their study also found that such gains are generally permanent and increase over time.

Joseph DUNNE

Acting Director,

Directorate for Impact Assessment and European Added Value

April 2015.

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

Contents

Introduction.....	8
DIGITAL ECONOMY	11
1. Digital Single Market	12
SINGLE MARKET AND TRANSPORT	18
2. Delivering and completing the existing Single Market for consumers and citizens	18
3. Completing reform of the financial services sector	23
4. Single European Transport and Tourism Areas.....	26
5. Codification of passenger rights.....	30
6. Company law on cross-border transfer of company seats	32
EMU AND BANKING UNION	35
7. Banking Union and banking regulation to avert a new financial crisis.....	35
8. Improved coordination of fiscal policies.....	38
9. Common deposit guarantee scheme.....	41
10. Common unemployment insurance scheme for the euro area	43
11. Combatting VAT fraud.....	47
ENERGY AND ENVIRONMENT	49
12. Integrated energy markets in Europe	49
13. Water legislation.....	54
RESEARCH AND DEVELOPMENT	56
14. European Research Area	56
CITIZENS' RIGHTS.....	58
15. Combatting violence against women	58
16. EU codification of private international law.....	61
17. Cross-border voluntary activity within the EU.....	64
18. Improved operation of the European Arrest Warrant	66
19. European mutual society.....	68
20. EU Law of Administrative Procedure	70
SOCIAL POLICY	71
21. Information and consultation of workers	71
22. Equal pay for equal work	74
EXTERNAL RELATIONS	77
23. Common Security and Defence Policy	77
24. Improved donor coordination in development policy.....	80
25. Transatlantic Trade Agreement (TTIP).....	83

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 has been 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 European 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 from the Commission. In doing so, the Parliament is alert to the principle of subsidiarity, whereby Union action should be considered when objectives 'cannot be sufficiently achieved by the Member States ... but can rather, by reason of the scale or effects of the proposed action, be better achieved at Union level' (Article 5 TEU).

As part of a general move to strengthen its capacity for impact assessment and the analysis of potential added value, the Parliament has recently begun to subject its various initiatives to a more systematic analysis of the likely economic or other benefits of actions that it may be proposing. This paper takes this process a stage further, in that it brings together recent or on-going work in relation to ideas in 25 areas of policy, usually in fields where there have been own-initiative or legislative initiative reports that have been passed by the Parliament by large majorities in plenary session. Taken as a whole, the work set out here is designed to help contribute to the process of evolving a broadly-based policy agenda for the current 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 pioneered and developed in the Parliament over three decades ago, through a report which it commissioned from two leading economists, Michel Albert and James Ball. Like now, the early 1980s were a period of economic crisis and pessimism about the future. The Parliament's own Special Committee on European Economic Recovery explored ways and means of breaking out of this cycle, inviting Mr Albert and Professor Ball to think creatively about new economic scenarios.

The Albert-Ball Report, presented in August 1983, makes surprisingly fresh reading today. It foreshadows the challenges and choices that the Union faces now, albeit in the context of its own time. It argues that 'the main obstacle to the economic growth of European countries is what we must call "Non-Europe" ... declining on the slippery slope of non-growth', and describes how what was meant to be a common market was becoming an un-common one. It painted a picture of a European economy in which the future had been sacrificed to the present, by giving priority to short-term and national considerations, over longer term and collective goals.

The Albert-Ball analysis suggested that the 'absence of a genuine common market ... and all the other obstacles to trade are equivalent to a financial surcharge which would certainly represent approximately one week's work per year on average for every family in Europe' or around 800 ECU per year in the money of that time. In other words, every worker in Europe worked 'one week every year to pay for non-Europe, with an additional cost of the order of two per cent of Gross National Product (GNP)'. To take advantage of the potential multiplier effect of common action, the recovery would need to be 'Community-wide or there would be none'.

The concept of the 'cost of non-Europe' was the leitmotif of the landmark Cecchini Report in April 1988, which helped provide a powerful economic rationale for the programme to complete the single market by 1992. It estimated the likely gain to Community-wide GDP from that programme to be in the order of 4.5 per cent (and potentially up to 6.5 per cent). The Cecchini analysis helped drive forward efforts to complete the single market, which have continued since then, but the central idea behind it seems gradually to have disappeared from debate, as the positive effects of a deeper and wider market have come to be taken for granted. In recent years, public discussion has more often centred on the 'cost of Europe' than on the continuing GDP gains possible from the pursuit of 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 - principally 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 slowly emerges from the recent economic, financial and sovereign debt crises. Some of the figures involved are significant, such as the 415 billion euro in additional GDP which the digital single market could bring, an amount larger than the GDP of several member states. Other figures - such as those relating to harmonising private international law or promoting cross-border voluntary activity - may be less eye-catching, but they nonetheless relate to avoiding real costs to individuals, so easing the everyday life of citizens.

The work on this project is on-going and is being updated regularly. In the first edition of this paper, published in March 2014, an initial figure for the cumulative potential GDP gain from a series of policy actions at European level, when fully realised, was cited as over 800 billion euro, and in the second edition, in July 2014, this figure rose to just under 1 trillion euro. On the basis of further research undertaken in the second half of last year - especially in the fields of the digital single market and aspects of the existing single market - the figure is now revised upwards again to nearly 1.6 trillion euro, representing approximately 12 per cent of current EU GDP.

Klaus WELLE
Secretary-General
European Parliament

Anthony TEASDALE
Director-General
DG EPRS

Cost of NON-EUROPE Map

TOTAL: ± € 1597 billion

Digital Single Market

€ 415 billion

Single Market for Consumers and Citizens

€ 615 billion

Completing Reform of Financial Services Sector € 82 bn	Banking Union to avert a new financial crisis € 21 bn*	Common Security and Defence € 26 bn
	European Research Area € 22 bn	Water legislation € 25 bn
	Combating VAT fraud € 9 bn	Improved coordination of fiscal policies € 7 bn*
	Common Deposit Guarantee Scheme € 5 bn*	Donor coordination € 0.8 bn

Integrated Energy Markets € 250 bn	Transatlantic Trade Agreement (TTIP) € 68 bn	Common Unemployment Insurance Scheme € 17 bn	Equal pay for equal work € 13 bn
		Combating violence against women € 7 bn	Single European Transport & Tourism Areas € 11 bn
		Information and consultation of workers € 3 bn	

OTHER AREAS:

- Cross-border transfer of company seats
€ 0.04 bn
- Codification of Private International Law
€ 0.1 bn
- Codification of Passenger Rights
€ 0.355 bn
- European Arrest Warrant
€ 0.043 bn
- Cross-border Voluntary Activity
€ 0.065 bn

To be assessed:

- European Mutual Society
- EU Law of Administrative Procedure

* Annualised one-off losses avoided in the event of a crisis

DIGITAL ECONOMY

1. Digital Single Market

Potential efficiency gain: 415 billion euro per year

Key proposition

The creation of a fully-functioning digital single market (DSM) within the European Union offers very significant potential for future economic growth. Based on a combination of existing research, conducted notably in 2005-10 by Copenhagen Economics,² and a recent *Cost of Non-Europe Report* commissioned by the European Added Value Unit for the European Parliament's Committee on the Internal Market and Consumer Protection (IMCO),³ the potential GDP gain, once all policy measures have been fully and properly implemented, could be in the range of 415 to 500 billion euro per year (3.0 to 3.6 per cent of EU GDP). This added value would derive notably from progress in the fields of e-commerce and e-procurement. However, as the complexity of the process makes it unlikely that removing barriers could, in practice, be achieved completely, we have chosen to take the lower of these two figures as the estimate.

More detailed analysis

A fully functioning digital single market within the European Union would bring significant gains over time, promoting:

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

The overall situation in the digital field is still largely one of fragmentation and an incomplete single market, 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 an initially low base. Too many barriers still block the free flow of goods and on-line services across national borders.

² Copenhagen Economics, [Economic Assessment of the Barriers to the Internal Market for Services, Final Report, January 2005](#); Copenhagen Economics, [Study on the Economic Impact of the Electronic Commerce Directive, Final Report, September 2007](#); Copenhagen Economics, [The economic impact of European digital single market, Final Report, March 2010](#).

³ GHK, [The Cost of Non-Europe in the Single Market III - Digital Single Market](#), Study commissioned by the European Added Value Unit, EPRS, September 2014.
[http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_STU\(2014\)536356](http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_STU(2014)536356)

The most serious impediments relate to e-privacy, e-payments, VAT payments, consumer protection and dispute resolution, data protection and geographical restrictions or 'geo-blocking' (access to products sold electronically which are limited by law or practice to certain geographic areas). There is a clear need to update EU single market rules, establishing a single area for on-line payments, e-invoicing, protecting intellectual property rights and clarifying VAT requirements, thereby generating trust in e-commerce and affording adequate protection to EU consumers. A range of proposals improving the functioning of the DSM needs to be developed by the European Commission, catering for consumers and enterprises. There is a need, for instance, to permit online businesses to register once in order to operate everywhere in the EU. Similarly, developing and promoting coherent digital standards will reduce market fragmentation. However, the complexity of the action required in this field leads us to believe that the full potential gain can only be realised in the longer term.

The recent *Cost of Non-Europe Report* by the Parliament's European Added Value Unit has examined potential legislation relevant for the digital single market - including contract law, data protection and privacy, intellectual property and horizontal enablers of the DSM (payment systems, e-Identification, and postal and parcel delivery services) - and estimated that the direct cost of non-Europe is between 36 and 75 billion euro per annum (0.3 to 0.5 per cent of EU GDP).⁴

The report quantified the direct costs associated with gaps in three specific areas:

- cloud computing: the lack of liability of cloud computing service providers and the inconsistency of transnational laws and regulations;
- e-payments: no major legislative gaps were identified. However, from the perspective of the functioning of the digital single market, the most important gaps are related to the substantial heterogeneity of commercial practices between Member States and the excessive costs of making cross-border payments;
- postal and parcel delivery: individual legislative gaps were not identified, however considerable information gaps exist in relation to the availability of various delivery services and associated delivery options - both for consumers and e-retailers. It remains to be seen how much can be achieved by voluntary self-regulation of the sector and the adoption of best practices.

The research did not analyse identified gaps which are expected to lead to costs of an order of magnitude lower than those identified above (for example, the application of commercial guarantees to digital products, or differences in standard contract terms). Neither was an estimation of costs attempted in the fields of e-identification, e-authentication or consumer protection in relation to digital products, because of the particularly complex interactions in the DSM. Moreover, two important issues are outside the scope of the report: telecommunication networks and taxation, particularly VAT.

The economic benefits estimated in earlier studies included productivity and employment effects from increased use of on-line services. An additional element now factored in is that of the welfare improvements to consumers from a higher level of e-commerce, in terms of lower on-line prices and wider choice (estimated by the European

⁴ Ibid.

Commission at around 12 billion euro).⁵ If e-commerce were to grow to 15 per cent of the total retail sector, which is a plausible assumption, and single-market barriers were eliminated, the total long-term consumer welfare gains are estimated at around 204 billion euro, equivalent to 1.6 per cent of EU GDP. Further gains can be made from improvements to the functioning of the market, such as putting in place the online dispute resolution (ODR) system for consumer disputes which could generate savings of some 22 billion euro.⁶

Employment gains are estimated in the range of 0.1 per cent, which is equivalent to over 223,000 jobs created by 2020 due to the removal of identified gaps hindering the digital single market. Average wages also increase slightly, boosting household incomes. A recent estimation by the European Commission⁷ suggests the benefits of the completion of digital single markets to be 260 billion and another estimation suggests potential savings for public authorities of 100 billion euro per annum if all public procurement could be dealt with on-line.⁸

Other estimates of the cost of non-Europe

Several existing studies confirm the substantial size of the potential gains to be expected from the realisation of a digital single market in Europe. As already indicated, detailed work undertaken by Copenhagen Economics in 2005, 2007 and 2010⁹ estimates the long-term increase in GDP - as a result of an acceleration of the digital economy, involving increased use of online services, improved digital infrastructure and improved e-skills - to be around 4.0 per cent, or around 520 billion euro per year at current prices.

A study for the Conference Board¹⁰ argues that there is an urgent need for an integrated single digital and telecoms market to mobilise the potential of the digital economy, innovation and services. It develops four scenarios that show that information and communications technology (ICT) could be a major source of growth for the European economy (up to half of potential GDP growth in the Union). Andrea Renda of the Centre for European Policy Studies (CEPS) points out that the achievement of a more integrated digital single market will require a major rethinking of the regulatory framework.¹¹ The European Commission estimates that moving from the current situation where electronic invoices account for 5.0 per cent of business-to-business transactions to widespread acceptance would, in itself, bring benefits of around 240 billion euro over six-year

⁵ Civic Consulting, [The functioning of e-commerce and Internet marketing and selling techniques in the retail of goods](#), September 2011.

⁶ European Commission, [Impact Assessment accompanying the Proposal for a Directive of the European Parliament and Council on Alternative dispute resolution for consumer disputes \(Directive on Consumer ADR\) and Proposal for a Regulation of the European Parliament and Council on Online Dispute Resolution for consumer disputes](#) (Regulation on Consumer ODR) - COM(2011) 793 final; SEC(2011) 1409 final.

⁷ Speech by Commission Vice-President Ansip in the European Parliament plenary session - Strasbourg, [Why the EU needs a Digital Single Market](#), 26 November 2014.

⁸ European Commission, 2014, [Public Procurement Reform Factsheet No. 4 : e-procurement](#).

⁹ Copenhagen Economics, *op. cit.*

¹⁰ The Conference Board, [Unlocking the ICT Growth Potential in Europe: Enabling People and Business](#), January 2014.

¹¹ Andrea Renda, [The Digital Infrastructure as the Next 'EU Grand Project'](#), Istituto Affari Internazionali, January 2014.

period.¹² These savings would be enhanced by the operation of the Single European Payments Area (SEPA). The Commission argues that the on-going creation of SEPA offers an 'ideal launching pad' for a successful European e-invoicing initiative. With potential savings for businesses with a penetration rate of 77% the benefit for the demand side would be 64.5 billion in 2012 compared to the base year 2006.^{13 14} Cumulated over a period of six years, and assuming a linear evolution, the total demand side benefit would be 226 billion. As the implementation of SEPA is on-going and the remaining gaps are largely non-legislative and, in part, relate to information provision and EU-level support for co-ordination of certain technical solutions, it is difficult to assess what share of the total estimated SEPA gains cannot be realized without addressing these gaps. It is assumed that the cost of non-Europe represent between 10% and 30% of total gains from SEPA. This is equivalent to the range of between €2.2 billion and €6.6 billion, and would mainly accrue to businesses¹⁵.

According to the Commission's Consumer Conditions Scoreboard,¹⁶ EU consumers are still considerably more likely to purchase items on-line from national providers (41 per cent) than from those located in other Member States (11 per cent). The main issue is one of consumer confidence. A study by the European Policy Centre (EPC)¹⁷ points to the lack of effective pan-European legislation to protect consumers from fraud, rogue-trading and identity theft, and presents this as a failure in the provision of an important public good. It concludes that there is economic justification for intervention by government to establish a legislative framework to protect consumers at EU level. This should represent a 'win-win' situation for both consumers and businesses, since the status quo is sub-optimal for society as a whole.

A revision of EU public procurement rules (in April 2014) should make it easier for small and medium-sized enterprises (SMEs) to win public contracts and reduce the red tape often associated with the process. An estimation by the Commission suggests potential savings for public authorities of 100 billion euro per annum if all public procurement could be dealt with on-line.¹⁸ The Commission's strategy on cloud computing¹⁹ also outlines actions designed to deliver a net gain of 2.5 million new European jobs, and an annual boost of 160 billion euro to EU GDP by 2020, by speeding-up and increasing the use of cloud computing across the economy as a whole.

¹² European Commission, [Reaping the benefits of electronic invoicing for Europe, December 2010](#), COM(2010)0712.

¹³ CapGemini Consulting, [SEPA: Potential benefits at stake](#), 2010.

¹⁴ http://ec.europa.eu/internal_market/payments/einvoicing/index_en.htm

¹⁵ GHK, [The Cost of Non-Europe in the Single Market III - Digital Single Market](#), Study commissioned by the European Added Value Unit, EPRS, September 2014, p.58.

[http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_STU\(2014\)536356](http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_STU(2014)536356)

¹⁶ European Commission, [The Consumer Conditions Scoreboard - Consumers at home in the single market](#), SWD(2013)0291.

¹⁷ Fabian Zuleeg and Robert Fontana-Reval, [Economic Rationale for a Digital Single Market](#), European Policy Centre, 2010.

¹⁸ Directives [2014/24/EU](#) and [2014/25/EU](#). (The adoption of 'self-declarations' as preliminary evidence and the 'winning bidder' approach to documentary evidence would reduce administrative burdens associated with public tendering by 80 per cent).

¹⁹ European Commission, Communication on [Unleashing the Potential of Cloud Computing in Europe](#). COM(2012) 529 final, 2012.

The e-Communications market is characterised by enormous price disparities which not only distort but also are costly to the public budgets and to EU citizens in general. The welfare gains of EU regulation of mobile termination rates are in the range of 2.8 to 11.8 billion euro, and those of the EU regulation of EU mobile roaming rates are around 4.5 billion euro. Of course, there are many more services with price disparities; hence the overall gains are presumably much higher. The impact assessment for the Connected Continent proposals estimated an annual gain of 110 billion euro.

All of the above elements can be combined to provide a comprehensive picture of the building-blocks of an integrated digital single market, set out in the synoptic table below:

Building Blocks - Potential GDP gains from completing the digital single market	Cost of Non-Europe (billion euro per year)
E-commerce	204 ²⁰
E-procurement	100 ²¹
Single European Payments Area (SEPA) and e-payments	2
E-invoicing	40 ²²
Cloud computing, payments, postal and parcel delivery	47
Online and alternative dispute resolution systems	22 ²³
Total:	415

European Parliament position in this field

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

²⁰ European Commission, [Communication on a coherent framework for building trust in the Digital Single Market for e-commerce and online services](#), Brussels, 11.1.2012, COM(2011) 942 final, , Based on a study from Civic Consulting, *Consumer market study on the functioning of e-commerce*, 2011.

²¹ European Commission, [Public Procurement Reform Factsheet No. 4 2014: e-procurement](#).

²² European Commission, [Communication on Reaping the benefits of electronic invoicing for Europe](#), Brussels, 2.12.2010 COM(2010) 712 final, p. 2,

²³ See reference 4, 0.17% of EU GDP estimated savings for European consumers if quality alternative dispute resolution is available. 0.02% of EU GDP: potential savings for European consumers if online dispute resolution for cross-border e-commerce transactions is available. In aggregate terms, potential savings for European consumers are estimated roughly around €20 billion, which correspond to 0.17% of EU GDP while for the latter these savings are estimated around €2.5 billion, which corresponds approximately to 0.02% of EU-27 GDP.

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

- EP resolution of 4 July 2013 on completing the digital single market (2013/2655(RSP)), Co-Rapporteurs: Pablo ARIAS ECHEVERRÍA (EPP Group) and Malcolm Harbour (ECR, Chair), IMCO Committee.
Plenary vote: FOR: 587 - AGAINST: 48 - ABSTENTIONS: 4.
- EP resolution of 11 December 2012 on completing the digital single market (2012/2030(INI)).
Rapporteur: Pablo ARIAS ECHEVERRÍA (EPP Group), IMCO Committee.
Plenary vote: FOR: 604 - AGAINST: 45 - ABSTENTIONS: 15.

European Council position in this field

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

In October 2012, the European Council called for work to be accelerated on the proposals on signature and collective rights management and looked forward to the forthcoming proposals on reducing the cost of the deployment of high speed broadband and on e-invoicing. In October 2013, the European Council agreed that the proposals on e-identification and trust services and on e-invoicing and payment services to be adopted by the end of the legislative period as well as that an open and non-discriminatory framework must be put in place to ensure interoperability and portability of content and data. Furthermore, it agreed that the modernisation of public administrations should continue through the swift implementation of services such as e-government, e-health, e-invoicing and e-procurement. In March 2014, the European Council agreed that the rapid conclusion of the work on all Single Market Act I proposals is an essential priority, particularly as regards key files such as e-identification/e-signature.

SINGLE MARKET AND TRANSPORT

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

Potential efficiency gain: 615 billion euro per year

Key proposition

The existing single market for goods and services has already contributed significantly to economic growth and consumer welfare in the European Union. The European Commission estimates that progress in this field over the period from 1992 to 2006 increased EU GDP and employment by 2.2 per cent and 1.3 per cent, representing figures of 306 billion euro (at current prices) and 2.8 million jobs respectively.²⁴ However, a further deepening of the 'classic' single market could still yield very significant additional gains for EU consumers and citizens, if remaining barriers could be eliminated, and if existing European law were to be applied effectively. New research commissioned by the European Added Value Unit for the European Parliament's Committee on the Internal Market and Consumer Protection (IMCO) on public procurement, the free movement of goods and services, and developing the consumer *acquis*,²⁵ estimates that fully delivering the existing single market in these fields and further completing it in other ways could, after full phasing-in, eventually generate 615 billion euro per year (or 4.4 per cent) in GDP across the EU as a whole.

More detailed analysis

The European single market has already reached a high level of economic integration in what is now the largest combined market-place in the world, based on the successful

²⁴ Eva Casalprim, *The Added Value of the European Single Market*, European Added Value Unit, EPRS, June 2013.

²⁵ The studies produced by the European Added Value Unit, EPRS, are as follows:
Zsolt Pataki, *The Cost of Non-Europe in the Single Market - 'Cecchini Revisited' - An overview of the potential economic gains from further completion of the European Single Market*, European Added Value Unit, EPRS, September 2014

[http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_STU\(2014\)510981](http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_STU(2014)510981);

Free Movement of Goods - Study by RAND Europe -

http://www.europarl.europa.eu/EPRS/EPRS_STUDY_536353_CoNE_Single_Market_1.pdf;

Single Market for Services - Study by CEPS -

[http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_STU\(2014\)536354](http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_STU(2014)536354);

Digital Single Market - Study by GHK -

[http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_STU\(2014\)536356](http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_STU(2014)536356);

Public Procurement and Concessions - Study by Europe Economics -

[http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_STU\(2014\)536355](http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_STU(2014)536355);

Consumer *acquis* - Study by GHK -

[http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_STU\(2014\)536357](http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_STU(2014)536357);

removal of most non-tariff barriers (NTBs) to the free movement of goods and services, and eliminating the majority of physical, fiscal, legal and technical (product standard) obstacles to intra-EU trade. Despite the largely successful adoption and implementation of over 3,500 individual single-market measures during the last three decades, there are still significant remaining challenges and 'missing links'. These include the potential for:

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

The European Commission has calculated that, over the period 1992 to 2006, the single market increased GDP and employment by 2.2 per cent and 1.3 per cent respectively, representing 233 billion euro (at current prices) and 2.8 million jobs.²⁶

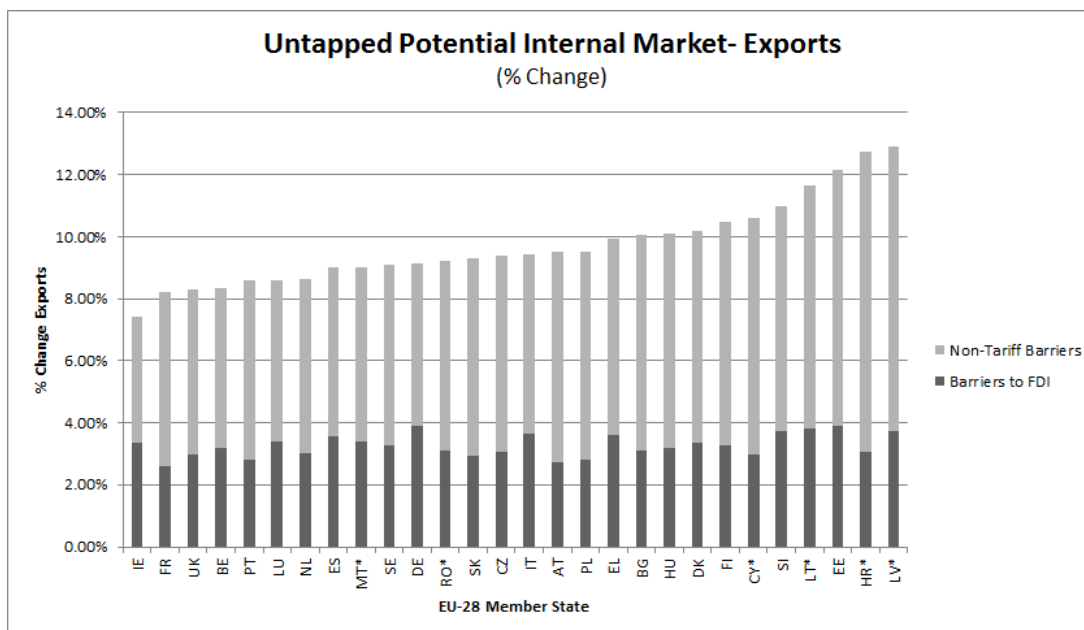
Findings from recent research commissioned by the Parliament's European Added Value Unit for the Committee on Internal Market and Consumer Protection suggest that a further deepening of the 'classic' single market could still lead to significant gains for EU consumers and citizens, eventually increasing EU-28 GDP by a further 615 billion euro, or 4.4 per cent, if remaining barriers could be eliminated and existing European law were to be applied effectively. Results from implementation can, however, take time and full implementation may be elusive. It is a difficult exercise, therefore, to estimate precisely the potential achievable gains or how near to full completion the single market EU can move.²⁷

The same research suggests that, for the *free movement of goods* alone, and even if this market is already mature, the untapped potential still represents as much as 183 to 269 billion euro per year - or 1.3 to 1.9 per cent of EU GDP. This figure takes account only of the static effects of increased intra-EU trade in goods and does not include or quantify the dynamic effects - in other words, the multiplier effect of increased trade through, for example, greater economies of scale, lower consumer prices or improved innovation.

The long-term potential gain from completing the *single market in services* is of the order of 338 billion euro (or 2.4 of EU GDP). Fully implementing and exploiting the existing 2006 services directive alone, which covers perhaps 40 per cent of the service economy, could amount to 0.3 to 1.5 per cent of EU GDP. There would also be gains from services in the network industries, professional services and from the retail sector.

²⁶ Blanca Ballester, *Better Governance of the Single Market*, European Added Value Unit, January 2013.
http://www.europarl.europa.eu/RegData/etudes/etudes/join/2013/494463/IPOL-JOIN_ET%282013%29494463_EN.pdf

²⁷ Deutsche Bank, EU Monitor - European Integration: *The Single European Market 20 years on - Achievements, unfulfilled expectations and further potential*, October 2013.



The parallel research on the body of *EU consumer law* (or *acquis*) suggests that consumer detriment resulting from an incomplete single market in this field is of the order of 58 billion euro per year (0.42 per cent of EU GDP), based on a comparison of price convergence in the EU and the United States. Further gains from improved enforcement of existing law²⁸ would lead to a more equal application of that consumer *acquis* across Europe, greater legal certainty for market operators, greater competition on retail markets, higher consumer trust, fewer compliance costs for businesses, lower litigation costs and less consumer detriment overall.

Potential GDP gains from closing gaps in the EU single market ²⁹	Cost of Non-Europe (billions euro)
Free movement of goods	183
Free movement of services	338
Public procurement and concessions	36
Consumer <i>acquis</i>	58
Total:	615

Other estimates of the cost of non-Europe

While substantial economic gains have already been achieved so far, a number of other studies support the proposition that a fuller and deeper single market could yield greater

²⁸ European Consumer Summit, *Towards a more efficient enforcement of EU Consumer Rights*, 2013. http://ec.europa.eu/consumers/enforcement/docs/07032013_consumer_summit_discussion_paper_en.pdf

²⁹ Figures are low-range values or single estimates from estimations indicated in the underlying studies.

benefits still.³⁰ In 2010, the Monti Report³¹ suggested that half of all single-market directives face implementation difficulties of some kind. One study on the benefits of the single market³² estimates that, if all remaining barriers to trade were fully eliminated within the Union, 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 study³³ deduces that even a more modest objective of reducing the remaining trade barriers within the EU by only half would raise the long-run level of EU GDP by 4.7 per cent. A further major study published in November 2013 identifies six areas in which the single market needs to be further developed (construction, retail trade, business services, wholesale trade, logistics and accommodation) and suggests corresponding policy options.³⁴ Econometric analysis suggests that completing the single market in these sectors could boost them by 5.3 per cent, and EU GDP by 1.6 per cent.

European Parliament position in this field

The European Parliament believes that the free movement of goods, capital, services and people offers yet untapped potential for citizens and business, in terms of efficiency, growth and job creation. It considers that the single market is now in significant need of new momentum, and has called on the Commission to put forward legislative proposals accordingly. This pressure led to the Commission's communications on the Single Market Act (April 2011) and Single Market Act II (October 2012).

The Parliament is also anxious that the environmental and social dimensions be properly integrated into the single-market strategy, and seeks to: support the creation of a sustainable single market based through the development of an inclusive, low-carbon, green, knowledge-based economy, including measures to further any innovation in cleaner technologies; put consumer interests and social policy at the heart of the single market; ensure the protection of services of general economic interest; and improve informal problem-solving mechanisms in the single market (such as SOLVIT).

Finally, the Parliament has called for improved governance of the single market, for example by the development of an analytical tool to measure single-market integration within the framework of the 'single-market pillar' of the European Semester in relation to the Country-Specific Recommendations (CSRs) within Economic and Monetary Union (EMU).

³⁰ 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.

³¹ Mario Monti, [A new strategy for the Single Market: At the service of Europe's economy and society](#), 2010.

³² V. Aussilloux, C. Emlinger and L. Fontagné, [What Benefits from Completing the Single Market?](#), La Lettre du CEPII, No 316, 15 December 2011.

³³ Y. Decreux, *Completing Single Market II*, in the HM Government and Centre for Economic Policy Research (CEPR) study, [Twenty Years On: The UK and the Future of the Single Market](#), 2012.

³⁴ 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.
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 during the 2009–2014 parliamentary term include:

- A Single Market for Europeans (2010/2278(INI)).
Rapporteur: Antonio CORREIA DE CAMPOS (S&D Group), IMCO Committee.
- A Single Market for Enterprises and Growth (2010/2277(INI)).
Rapporteur: Cristian BUȘOI (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. (2012/2663(RSP))
Rapporteur: Malcolm HARBOUR (ECR Group), IMCO Committee.
- 20 main concerns of European citizens and business with the functioning of the Single Market (2012/2044(INI)).
Rapporteur: Regina BASTOS (EPP Group), IMCO Committee.
- The Governance of the Single Market (2012/2260(INI)).
Rapporteur: Andreas SCHWAB (EPP Group), IMCO Committee.
- Single Market governance within the European Semester 2014 (2013/2194(INI)).
Rapporteur: Sergio Gaetano COFFERATI (S&D Group), IMCO Committee
- Single Market governance within the European Semester 2015, (2014/2212(INI)).
Rapporteur: Ildikó GÁLL-PELCZ (EPP Group), IMCO Committee

European Council position in this field

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

3. Completing reform of the financial services sector

Potential efficiency gain: 82 billion euro per year

Key proposition

The potential benefits from a fully-integrated and effectively regulated EU-wide financial services sector could, on the basis of research conducted by the European Added Value Unit, be of the order of 82 billion euro per year.³⁵ Additional costs and benefits remain to be assessed.

More detailed analysis

In the absence of barriers and asymmetric costs, market integration should generally imply price convergence at lower levels, as is shown in a classic study on market integration in the motor car sector.³⁶ This concept can be applied to other sectors, such as the residential mortgage market in the euro area and bank financing of SMEs.

The Mortgage Credit Directive adopted in 2014 aims at creating a competitive market, establishing a high level of consumer protection and ensuring responsible lending and borrowing. For the eurozone, and allowing for asymmetric differences in cost structures, this suggests market convergence for interest rates on residential mortgages at not more than 3 per cent or an estimated 63 billion euro per year.

Given that language barriers and other significant constraints - 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 82 billion euro (see table below) might not be fully achieved. However, there are possible countervailing impacts, such as efficiency gains from other forms of credit, as well as the indirect positive impact on the operations of enterprises using cheaper financing, are not quantified here.

Building Blocks - Potential efficiency gains from completing reform of the financial services sector	Cost of Non-Europe (billion euro per year)
Financial supervision	<i>Still to be assessed</i>
Regulation of financial markets ⁴⁴	19
Insurance and pensions	<i>Still to be assessed</i>
Retail financial services and consumer protection ⁴⁰	63
Financial crime	<i>Still to be assessed</i>
Total:	82

³⁵ Graham Stull, *Towards a Genuine Economic and Monetary Union: European Added Value Dimensions*, European Added Value Unit, European Parliament, October 2012. http://www.europarl.europa.eu/thinktank/en/document.html?reference=IPOL-JOIN_NT%282012%29494458

³⁶ 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.

Other estimates of the cost of non-Europe

The European institutions have delivered a set of reforms to respond to the challenges of the financial crisis. These are summarised in the communication of the European Commission entitled 'A reformed financial sector for Europe'.³⁷ However, there is still a risk of non-Europe in the financial services sector, which takes several forms. Work is not yet complete on financial supervision. Possible gains from legal and regulatory harmonisation (the so-called 'single rulebook') will be dissipated without consistent implementation and application. Some legislative measures have only recently entered into force, and many are subject to longer phasing-in periods or will have to be complemented with delegated and implementing acts.

The 'Economic Review of the Financial Regulation Agenda',³⁸ accompanying the Commission Communication, contains the latter's own cost-benefit analysis of EU legislation in this field, as well as a review of existing studies of the subject. The main conclusion is that the benefits of recently adopted reforms of financial regulation in the EU should substantially outweigh its costs.

The Commission estimates that recently-adopted reforms of *financial markets* should result in a net benefits amounting to at least 19 billion euro per year (0,16% of EU 27 2012 GDP). This calculation relates to the reform of the derivatives regime, to the reduction of the excess cost of post-trading and to post-trading market consolidation, as well as to Target2Securities.³⁹

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

In the field of *payment accounts*, the Commission estimates that the adopted Directive on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features, would yield significant benefits to consumers. Although substantial net benefits are quantified, the Commission refrains from providing a single figure which would summarise all impacts.⁴⁰

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

³⁷ European Commission ([COM\(2014\)279](#)), 2014.

³⁸ European Commission ([SWD\(2014\) 158](#)), 2014.

³⁹ [Ibid.](#), pp. 107-108 and 173.

⁴⁰ http://ec.europa.eu/internal_market/finances-retail/docs/inclusion/20130508-impact-assessment-resume_en.pdf

European Parliament position in this field

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

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

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

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

- EP resolution on shadow banking (2012/2115(INI)
Rapporteur: Saïd EL KHADRAOUI (S&D Group), ECON Committee.
Plenary vote: show of hands.
- EP resolution 'Agenda for adequate, safe and sustainable pensions (2012/2234(INI)
Rapporteur: Ria OOMEN-RUIJTEN (EPP Group), EMPL Committee.
Plenary vote: FOR: 502 - AGAINST: 138.
- Organised crime, corruption and money laundering: recommendations on action and initiatives to be taken (2013/2107(INI)
Rapporteur: Salvatore IACOLINO (EPP Group), CRIM Special Committee.
Plenary vote: FOR: 526 - AGAINST: 25.
- Organised crime, corruption and money laundering (2012/2117(INI)
Rapporteur: Salvatore IACOLINO (EPP Group), CRIM Special Committee.
Plenary vote: show of hands.

European Council position in this field

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

4. Single European Transport and Tourism Areas

Potential efficiency gain: 11 billion euro per year

Key proposition

New research commissioned from the European Added Value Unit by the European Parliament's Committee on Transport and Tourism (TRAN)⁴¹ has shown that the removal of inefficiencies in the transport and tourism sectors has the potential to yield annual gains of 5.7 billion euro in the area of transport and to boost tourism by an equal amount. Better functioning of the transport market would mean improved mobility for consumers, enhanced environmental sustainability, better intra-EU connectivity and greater international competitiveness.

More detailed analysis

Despite the significant progress made over the last 20 years in creating a Single Market for Transport, the sector still suffers from multiple barriers which generate substantial additional costs. The new research estimates the potential benefits of removing barriers and inefficiencies in the single market for *rail transport* at between 20 and 55 billion euro for the next 20 years, equivalent to, on average, 1 billion euro per year. Integration in the road sector could bring a net benefit of 50 to 90 billion euro over the same period, or some 3.5 billion euro per year.

These figures reflect direct efficiency gains for the economy and represent a small proportion of potential overall benefits were fuller integration to be seriously pursued in rail. Broader indirect benefits such as environmental sustainability, better passenger information and other initiatives could raise the total benefits even more.

In the *air and maritime transport* sectors, the completion of the Single Market would contribute to more efficiency, with shorter routes and lower operational and environmental costs. In air transport, this could bring between 18 billion and 36 billion euro savings over the next 20 years, or some 1.3 billion euro per year. For the maritime transport market, the optimisation of maritime and inland logistic container routes could generate between 26 and 52 billion euro savings over the next 20 years, equalling around 1.9 billion euro per year.

The European *tourism sector*, a vital component of the economy in terms of growth and employment, continues to be hampered by market inefficiencies. Further benefits can be achieved by addressing the sectors which have lowest economic efficiency, supporting the development of SMEs (especially in the food-related sector), and promoting the

⁴¹ Monika Nogaj, *Cost of Non-Europe Report - Single Market in Transport and Tourism*, European Added Value Unit, EPRS, October 2014.
[http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_STU\(2014\)510985](http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_STU(2014)510985)

development of quality, sustainable tourism. The potential efficiency gains have been estimated at around 6.2 billion euro per year.

Building Blocks - Potential savings and efficiency gains in transport and tourism by sector	Annual Cost of Non-Europe (billion euro) ⁴²
Rail transport	1
Road transport	2.5
Air transport	0.9
Water transport	1.3
Total for transport	5.7
Tourism	5.7
Overall total:	11.4

Other estimates of the cost of non-Europe

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

In *rail transport*, a quantitative impact assessment⁴³ has estimated the net gains from further market opening, greater open tendering for public service contracts and continued unbundling to be in the range of 18 billion euro to 32 billion euro over a 17-year period from 2019 till 2034 (when the full effect can be expected). If the lower figure is retained for the purpose of a cautious estimate, this would mean average benefits in the region of 1.0 billion euro per year.

Another study has identified the economic benefits that can be expected from the revision of the institutional framework in which the European Railway Agency (ERA) operates and facilitating the creation of a Single European Railway.⁴⁴ Benefits would arise principally from savings in safety certification and rolling authorisation. It has been estimated that the benefits from shared competencies of the ERA and national supervisory authorities (NSAs) in these fields could be worth 508 million euro over the period from 2015 to 2025, or some 50 million euro per year.

In *water transport*, a European Commission impact assessment identified significant benefits to be expected from the liberalisation of the provision of port services and the

⁴² Low-range value estimates.

⁴³ Steer Davies Gleave, [Further action at European level regarding market opening for domestic passenger transport by rail and ensuring non-discriminatory access to rail infrastructure and services](#), Steer Davies Gleave for European Commission, November 2012.

⁴⁴ Steer Davies Gleave, [Impact assessment support study on the revision of the institutional framework of the EU railway system, with a special consideration to the role of the European Railway Agency](#), Steer Davies Gleave for European Commission, June 2012.

increased financial transparency of ports.⁴⁵ The reduction in total port-related costs is estimated to be around 7.0 per cent. This represents savings of about 1.0 billion euro annually.

In *air transport*, a 2011 study highlighted a number of problems, including less than full use of capacity at some airports and the difficulties faced by carriers trying to expand their operations at congested airports in order to provide real competition with incumbent carriers.⁴⁶ Also identified were the inadequate operation of the slot coordination process and a lack of consistency with the Single European Sky. The study estimated that a review of European slot allocation rules alone could lead to 5.0 billion euro in efficiency gains by 2025, or 334 million euro per year (over a period of 15 years from 2010 to 2025).

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

European Parliament position in this field

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

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

Several legislative files are on-going and not yet adopted in the Council. These concern mainly the establishment of an EU agency for railways, the recast of the railway safety regulation, the interoperability of the rail systems in the European Union and new rules for establishing and publishing statistics on goods and passenger transport in the rail and waterway sector. The Commission has not responded to Parliament's demand for establishing a European Rail Regulator and for submitting a proposal on the internalisation of external costs of all modes of freight and passenger transport.

In its 2015 Work Programme (CWP), the Commission foresees the withdrawal of several proposals on transport, namely on aviation security charges and ground handling

⁴⁵ European Commission, [*Impact Assessment accompanying the proposal for a regulation establishing a framework on the market access to port services and the financial transparency of ports*](#), SWD(2013)0182, May 2013.

⁴⁶ European Commission, [*Impact Assessment accompanying the White Paper - Roadmap to a Single European Transport Area - Towards a competitive and resource-efficient transport system*](#), SEC(2011)0391, March 2011.

services, on which there is no foreseeable agreement. The Commission announces however in the Commission Work Programme that it will present an aviation package, aiming at improving the competitiveness of the EU aviation sector and including the revision of the European Aviation and Safety Agency (EASA) Regulation.

- EP legislative resolution of 26 February 2014 on the proposal for a directive of the European Parliament and of the Council amending Directive 2012/34/EU of 21 November 2012 establishing a single European railway area, as regards the opening of the market for domestic passenger transport services by rail and the governance of the railway infrastructure (COM(2013)0029 – C7-0025/2013 – 2013/0029(COD)) (Ordinary legislative procedure: first reading)
Rapporteur: Saïd EL KHADRAOUI (S&D Group), TRAN Committee.
- EP resolution of 15 December 2011 on the Roadmap to a Single European Transport Area - Towards a competitive and resource efficient transport system (2011/2096 (INI)).
Rapporteur: Mathieu GROSCH (EPP Group), TRAN Committee.
Plenary vote: FOR: 523 - AGAINST: 64 - ABSTENTIONS: 37.

European Council position in this field

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

5. Codification of passenger rights

Potential efficiency gain: 355 million euro per year

Key proposition

New research undertaken by the European Added Value Unit for the European Parliament's Committee on Transport and Tourism (TRAN),⁴⁷ suggests that the minimum costs for citizens and businesses from the absence of a consolidated framework for passenger rights are around 355 million euro per year.

More detailed analysis

An important plank of the common transport policy has been to seek to codify and standardise the rights of passengers across the European Union. Despite securing strong passenger rights through legislation, significant challenges remain. The scope of passenger's protection varies from one mode to another, creating several inconsistencies and gaps. The differences in the level of protection offered to passengers are not always objectively justified, due to the nature of the mode or situation, and create uncertainty and confusion both for passengers and carriers. In addition, in practice, passengers often do not enjoy the rights to which they are entitled.

The Parliament's research identifies the current gaps and inconsistencies in the protection of the ten core passengers' rights⁴⁸ across the different transport modes (air, rail, water and road transport). On this basis, the study quantifies the economic costs arising from the issues related to these shortcomings, as well as from the fragmentation of current EU passenger rights' legislation. The quantitative analysis focuses on selected aspects of four areas of passenger rights: transparency, quality of service, enforcement and inter-modality.

The costs looked at include: cost of time lost by the passengers while searching for adequate information on the final price of the tickets and other services included (or not) in the final price; legal costs related to complaint-handling and litigation; and costs in time lost because of delays, cancellations and non-optimal intermodal connections.

⁴⁷ Monika Nogaj, *Cost of Non-Europe Report - Single Market in Transport and Tourism*, European Added Value Unit, EPRS, October 2014, [http://www.europarl.europa.eu/RegData/etudes/STUD/2014/510985/EPRS_STU\(2014\)510985_REV1_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2014/510985/EPRS_STU(2014)510985_REV1_EN.pdf)

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

	Transport mode	Cost of Non-Europe (million euro per year)
Transparency	Air	130
Quality of service	Air	18
Enforcement	Air, Rail, Road, Waterborne	69
Intermodality	Air-rail (High Speed Train airport connections and integrated ticketing)	138
Total:		355

European Parliament position in this field

The European Parliament has pointed to the need for greater convergence between the legislation in the four transport areas (air, rail, water and road transport). A much more holistic approach is needed to integrate all passenger rights into one comprehensive, consolidated legislative framework, so as to draw up a single, cross-cutting passenger rights regulation in the medium term.

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

- EP resolution of 23 October 2012 on passenger rights in all transport modes (2012/2067(INI)).
Rapporteur: Georges BACH (EPP), TRAN Committee.
Plenary vote: Show of hands.
- EP resolution of 29 March 2012 on the functioning and application of established rights of people travelling by air (2011/2150(INI)).
Rapporteur: Keith TAYLOR (Greens), TRAN Committee.
Plenary vote: FOR: 509 - AGAINST: 20 - ABSTENTIONS: 53.

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

Potential efficiency gain: 44 million euro per year

Key proposition

Action to facilitate the freedom of establishment of companies could yield significant savings by facilitating the cross-border transfer of company registered offices. A *European Added Value Assessment* undertaken for the European Parliament's Legal Affairs Committee (JURI) by the European Added Value Unit,⁴⁹ suggests that the benefit could range from 439 million euro, if 1.0 per cent of firms were to move, to at least 44 million euro year, should only 0.1 per cent of firms move their registers office.

More detailed analysis

An EU directive on the cross-border transfer of company seats would provide a coherent solution to the current lack of freedom of movement and freedom of services that affects companies which wish to move their seat from one Member State to another. It would also bring legal certainty and simplify transfer procedures, thus saving costs. Academic analysis shows that whilst companies are using freedom of establishment to register outside the country in which they originate, the number of cross-border transfers of a company's registered office does not follow any particular trend.⁵⁰ It can be argued that this is due mainly to the costs, time and administrative burden involved. Currently, a company can normally only undertake a cross-border transfer by setting up a subsidiary in another Member State and then merging with that subsidiary. A new legal act, often referred to as the 14th Company Law Directive, would allow companies to transfer registered offices between Member States, thereby avoiding unnecessary administrative burdens and associated costs, including unnecessary start-up costs.

An indication of the costs that would be avoided by such a measure was estimated using the results from the 'Doing Business' survey. On average, the annual cost of starting up a business in a Member State is estimated to be around 2,000 euro. Based on that figure, the minimum start-up costs avoided as a result of a directive would be: 22 million euro per year in a high scenario, in which a total of 1 per cent of all firms would move; 10 million euro per year in a medium scenario, in which 0.5 per cent of presently active firms would move; 2 million euro per year in a low scenario, in which 0.1 per cent of all firms would move. The merger costs avoided per year could also be quite considerable. The Lebrecht

⁴⁹ Blanca Ballester and Micaela del Monte, *European Added Value Assessment of the Directive on the cross-border transfer of a company's registered office (14th Company Law Directive)*, European Added Value Unit, EPRS, February 2013.
http://www.europarl.europa.eu/RegData/etudes/etudes/join/2013/494460/IPOL-JOIN_ET%282013%29494460_EN.pdf

⁵⁰ S. Rammeloo, *Case C-378/10 VALE Építési Kft., Judgment of 12 July 2012, Freedom of establishment: cross-border transfer of company 'seat' - The last piece of the puzzle?*, *Maastricht Journal of EU Law*.

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

Building Blocks - Efficiency gains from promoting cross-border transfer of company seats	Cost of Non-Europe (million euro)
Minimum start-up costs	2
Merger costs	42
Total:	44 million

Other estimates of the cost of non-Europe

In 2007, the European Commission published an impact assessment on a prospective directive on this issue⁵¹ (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. However, following pressure from the European Parliament, in early 2013 the Commission launched a detailed public consultation on the matter,⁵² with 28 companies and 58 other organisations (both public and private) providing responses to questions on the costs currently faced by companies transferring their registered offices abroad and on the range of benefits that could be brought by the EU action. The answers varied considerably and there has been no follow-up since their publication in September 2013.

European Parliament position in this field

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

⁵¹ http://ec.europa.eu/internal_market/company/docs/shareholders/ia_transfer_122007_part1_en.pdf

⁵² http://ec.europa.eu/internal_market/consultations/2013/seat-transfer/index_en.htm

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

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

EMU AND BANKING UNION

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

Potential efficiency gain: 21 billion euro per year

Key proposition

The establishment of a fully-fledged Banking Union, resting on sound banking regulation, has the potential to help avoid significant recapitalisation costs and GDP loss in the coming years, by playing a key role in averting or containing any future financial and/or sovereign crisis. New research commissioned by the European Added Value Unit estimates the one-off cost of not having a fully-fledged Banking Union at European level to amount to 222.3 million euro per annum, in the case of a new sovereign debt crisis, or 195 billion, in the case of a new financial crisis.⁵³ Although both crisis scenarios are distinct and non-continuous, a mid-range value of 209 billion euro has been chosen for the sake of simplicity. Since we know from experience that financial or banking crises affecting the European economy are tending to occur approximately once a decade, we have calculated that the annual cost of not implementing a Banking Union would be broadly equivalent to dividing this anticipated one-off loss by ten, so amounting to a cost of some 21 billion on an annualised basis.

More detailed analysis

The research commissioned by the European Added Value Unit has sought to assess the cost of non-Europe, were a new crisis to strike before the completion of a Banking Union. Here, the cost of non-Europe is defined as being the difference between the systemic costs generated in a crisis of a weak and inefficient EMU, as opposed to costs generated in a strong and efficient one. The strong EMU scenario is assumed to include, at EU level; (i) stricter prudential rules for banks; (ii) an efficient approach by EU authorities to resolving failed banks; and (iii) the establishment of a single rulebook for all EU financial institutions. In addition, a fully-fledged banking union for the euro area - whose economies have deeper linkages between their banking systems - is assumed to comprise a Single Supervisory Mechanism and a Single Resolution Mechanism.

A fully-fledged Banking Union would bring about substantial savings in the recapitalisation cost of the banking sector (i.e. between 436 and 823 billion euro).⁵⁴

⁵³ Marius-Christian Frunza, *The Cost-of-Non-Europe of an incomplete EMU to prevent future crises*, European Added Value Unit, EPRS, December 2014, p.4.
[http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_STU\(2014\)536365](http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_STU(2014)536365)

⁵⁴ Marius-Christian Frunza, *Ibid.*, p. 25.

Deeper EMU and Banking Union: Estimate of the Cost of Non-Europe

	Sovereign crisis scenario	Financial crisis scenario
Banking Union and banking regulation to avert a new financial crisis	€222 billion	€195 billion

Other estimates of the cost of non-Europe

The cumulative GDP loss from the recent financial, economic and sovereign debt crisis was very substantial indeed - estimated to be at least 2.12 trillion euro within the EU⁵⁵ - over the period from 2008 to 2012. In 2013, government interventions in the context of the financial crisis increased the government deficit in the euro area by 28.61 billion euro (0.29 per cent of GDP) and in the EU 28 by 29.65 billion euro (0.22 per cent of GDP).⁵⁶ The effective measures put in place at all levels to avert or attenuate the recurrence of any such crisis should thus bring considerable welfare gains in the future. The analysis cautiously estimates the potential gain at 35 billion euro per year, taking its cue from the lower bound in the latest estimation by the European Commission.

This quantification relates to selected financial reforms, namely higher capital requirements under the Capital Requirements Directive (CRD IV) and the bail-in and resolution fund provisions of the Bank Recovery and Resolution Directive (BRRD). The potential annual net benefits are estimated to be in the range of 0.3 to 0.8 per cent of GDP, or 35 to 100 billion euro a year. The European Commission and the European Central Bank have provided a very long list of qualitative benefits, as well as quantitative ones.⁵⁷

European Parliament position in this field

The European Parliament has called for measures to address, in a Community framework and with genuine accountability, the resolution of failing banks, guaranteeing a common 'rule book', as well as a common set of intervention tools and triggers, whilst limiting taxpayers' involvement to a minimum, through the creation of harmonised, self-financed, industry resolution funds. The Parliament has favoured a cross-border framework for insurance guarantee schemes across Member States. It has also addressed the issue of remuneration policies in the financial sector. Finally, the Parliament has called on Member States to ensure the full implementation of CRD IV. In 2014, three major texts were adopted by the co-legislators to complete the legislative work underpinning the Banking Union: the Single Resolution Mechanism regulation, the revised Deposit Guarantee Scheme Directive and the Bank Resolution and Recovery Directive. In effect, the adoption of the texts turned the concept of such a union into reality in less than two years.

⁵⁵ Eurostat, *Statistical impact on government deficit and Statistical impact on government debt* (2013): this study shows an aggregate cost of government intervention of 16.3 per cent of EU 28 GDP.

⁵⁶ http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/documents/Background-note_fin-crisis-Oct-2014-final.pdf

⁵⁷ European Commission, *Economic Review of the Financial Regulation Agenda, SWD(2014) 158*, May 2014.

- EP report on 12 June 2012 on the CRD IV (Capital Requirements Directive and regulation), which is to implement the Basel III accord into EU legislation. Rapporteur: Othmar Karas (EPP Group), ECON Committee.
- EP resolution of 20 November 2012 with recommendations to the Commission on the report of the Presidents of the European Council, the European Commission, the European Central Bank and the Eurogroup 'Towards a genuine Economic and Monetary Union' - legislative initiative report under Rule 42 (2012/2151(INI)). Rapporteur: Marianne THYSSEN (EPP Group), ECON Committee.
Plenary vote: FOR: 482 - AGAINST: 160 - ABSTENTIONS: 35.

European Council position in this field

In December 2013, the European Council welcomed the final agreement reached by legislators on the Deposit Guarantee Scheme Directive and the Bank Recovery and Resolution Directive (BRRD). It also welcomed the general approach and the specific conclusions reached by the Council on the Single Resolution Mechanism. According to the European Council, alongside the already adopted Single Supervisory Mechanism, the SRM would represent a crucial step towards the completion of the Banking Union. In March 2014, the European Council welcomed the final agreement reached on the SRM. Together with the Single Resolution Fund which was signed by 26 Member States on 21 May 2014 and the establishment of the ESM direct recapitalisation instrument on 8 December 2014, this paves the ways for the completion of the Banking Union and represent 'another crucial step towards a stronger and more resilient Economic and Monetary Union'.

8. Improved coordination of fiscal policies

Potential efficiency gain: 7 billion euro per year

Key proposition

Unless national fiscal policies are effectively coordinated, there can be significant negative 'spill-over' effects among the Member States participating in Economic and Monetary Union (EMU), and more widely across the European Union. New research commissioned by the European Added Value Unit⁵⁸ estimates the one-off cost of not having reinforced fiscal coordination at 85 billion euro per annum, in the case of a new sovereign debt crisis, or 58 billion euro per annum, in the case of a new financial crisis. Although both scenarios are non-continuous⁵⁹ by nature, a mid-range value of 72 billion euro has been retained for this paper. As in the case of the Banking Union, and following the recent history of financial or banking crises affecting the European economy once a decade on average, we have calculated that the annual cost of not coordinating fiscal policies would be broadly equivalent to dividing this anticipated one-off loss by ten, so representing a cost of some 7 billion on an annualised basis.

More detailed analysis

The research commissioned by the European Added Value Unit has sought to assess the cost of non-Europe of not having a strengthened fiscal coordination should a new crisis occur. Here, the cost of non-Europe is defined as being the difference between the underlying systemic costs stemming from a weak and inefficient EMU and the costs in the case of a crisis in a strong and efficient one. This assumes, inter alia, that euro-area states maintain strong and efficient fiscal coordination, and a low correlation between credit cycles and increases in the public debt-to-GDP ratio. The research finds that more efficient fiscal coordination would substantially reduce the contraction in credit flows to the real economy, should a new financial or sovereign crisis occur.

Deeper EMU and Banking Union: Estimate of the Cost of Non-Europe

	Sovereign crisis scenario	Financial crisis scenario
Improved coordination of fiscal policies	€85 billion	€58 billion

⁵⁸ Marius Frunza, *The Cost of Non-Europe of an incomplete EMU to prevent future crises*, for the European Added Value Unit, EPRS, December 2014.

[http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_STU\(2014\)536365](http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_STU(2014)536365)

⁵⁹ The non-continuous estimates for the potential benefits (Banking Union, improved fiscal coordination and Common Deposit Guarantee Scheme) are calculations of one-off losses which can be avoided in a future crisis scenario in a particular year, by putting appropriate arrangements in place now.

Other estimates of the cost of non-Europe

In a staff discussion note, 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 undertaken.⁶⁰ Although country-level adjustment and support via the European Stability Mechanism (ESM), the European System of Financial Supervision (ESFS) and the Outright Monetary Transactions (OMTs) backstop, together with progress towards Banking Union, are important achievements, a clearer ex-ante approach to fiscal discipline and transfers is very important to further strengthen EMU and help ensure the stability of the euro area for the future.

Effective mechanisms of fiscal policy coordination in the EU are also the subject of a piece of long-term research financed by the European Commission within the Horizon 2020 framework.⁶¹

European Parliament position in this field

The European Parliament believes that an integrated fiscal framework is an essential part of a genuine EMU – based on a functioning 'six-pack' and 'two-pack', a Fiscal Compact under the Community method, a European budget funded by own resources, a gradual rollover of bad debts in a redemption fund, and measures to fight tax evasion, accompanied by better practices in taxation. The Two-Pack regulation entered into force in 2013 providing the Commission with the possibility of requiring a revision of a draft national budget in line with European commitments. Such a possibility has not been used so far. In a genuine EMU, better ex-ante coordination of economic and fiscal policies (through an improved European Semester process) should also be the rule. A new Social Pact at European level, with binding minimal requirements, is also considered an important element of a new integrated economic framework and a step towards future crisis prevention.

- EP resolution of 20 November 2012 with recommendations to the Commission on the report of the Presidents of the European Council, European Commission, European Central Bank and Eurogroup 'Towards a genuine Economic and Monetary Union' (2012/2151(INI)).
Rapporteur: Marianne THYSSEN, (EPP Group), ECON Committee.
Plenary vote: FOR: 482 - AGAINST: 160 - ABSTENTIONS: 35.
- EP DRAFT REPORT on the review of the economic governance framework: stocktaking and challenges (2014/2145(INI)) Rapporteur: Pervenche Berès, (S&D Group), ECON Committee.

⁶⁰ International Monetary Fund, *Toward a Fiscal Union for the Euro Area*, 2013.

⁶¹ More information on this research, is available at:
<http://ec.europa.eu/research/participants/portal/desktop/en/opportunities/h2020/topics/2077-euro-1-2014.html#tab1>

European Council position in this field

In October 2012, the European Council called for further mechanisms, including an appropriate fiscal capacity, to be explored for the euro area, in the context of an integrated budgetary framework. In June 2012, it stressed that 'there are areas where the Member States sharing a single currency, and others willing to join the effort, want to go further in their efforts to coordinate and integrate their financial, fiscal and economic policies within the European Union framework, fully respecting the integrity of the Single Market and of the European Union as a whole.' The European Council also recalled several times that Member States should further coordinate ex ante major economic policy reforms in the context of the European Semester (in line with Article 11 of the Treaty on Stability, Coordination and Governance). In June 2014, the European Council called in its "Strategic Agenda for the Union in Time of Change" for stronger euro area governance and a strengthened economic policy coordination, convergence and solidarity.

9. Common deposit guarantee scheme

Potential efficiency gain: 5 billion euro per year

Key proposition

New research commissioned by the European Added Value Unit estimates the potential one-off cost of not having established a common deposit guarantee scheme (DGS) at 64 billion euro (0.49 per cent of GDP), in the case of a new financial crisis or, in case of a sovereign debt crisis, a potential cost of 32 billion euro (0.25 per cent of GDP).⁶² Although both scenarios are non-continuous by nature, a mid-range value of 48 billion euro has been retained for this report. As in the case of the Banking Union, and following the recent historical trend of financial or banking crises which affect the European economy occurring at roughly decade-long intervals, we have calculated that the annual cost of not having a common deposit guarantee system would be broadly equivalent to dividing the anticipated one-off loss by ten, so representing a cost of some 5 billion on an annualised basis.

More detailed analysis

The scenarios which the common deposit guarantee scheme is intended to avoid are those which occurred when, for example, deposits in Greece dropped by 36 per cent between September 2009 and June 2012, or when, in Cyprus, deposits decreased by 32 per cent between May 2012 and May 2014. A common DGS would break the vicious circle between banks and sovereigns. In the event of a sovereign under market pressure, maintaining confidence and diversifying risks across the banking sector would be crucial to prevent capital flight and deposit outflows.⁶³

The research has sought to assess the cost of non-Europe without a single DGS should a new crisis occur. On the basis of an econometric model, underpinned by the financial and economic assumptions outlined in the report, the cost of non-Europe is estimated in terms of the difference between the underlying systemic costs stemming from a crisis of a weak and inefficient EMU and those of a strong and efficient EMU, including inter alia a common deposit guarantee scheme.

In case of a new financial crisis, the cost of non-Europe is estimated at 64 billion euro per annum (or 0.49 per cent of GDP) while a single DGS would ultimately prevent a deposit flight of 49 billion euro.

⁶² Marius-Christian Frunza, *The Cost-of-Non-Europe of an incomplete EMU to prevent future crises*, for the European Added Value Unit, EPRS, December 2014, p.4.

[http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_STU\(2014\)536365](http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_STU(2014)536365)

⁶³ Goyal and al., *A Banking Union for the Euro Area*, IMF Staff Discussion Note, February 2013.

Deeper EMU and Banking Union: Estimate of the Cost of Non-Europe

	Sovereign crisis scenario	Financial crisis scenario
Common deposit guarantee scheme	€32 billion	€64 billion

European Parliament position in this field

The European Parliament has noted that the euro area is in a unique situation, with participating Member States sharing a single currency but without a common budgetary policy or common bond market. It considers it essential to further investigate the feasibility of a common redemption fund for bad debts and the common issuance of eurobonds, suggestions which have not been followed up with legislative proposals so far. However, the Commission's proposal for an update of the existing Deposit Guarantee Schemes Directive (DGS) was adopted by the Parliament in April 2014, with a guarantee for deposits of up to 100,000 euro. Although such a guarantee has been in place since the start of the crisis, it did not have sufficient backing, reducing the risk that taxpayers' money would be required by national funds or similar arrangements financed through bank levies. The new Directive secures a faster and easier access to guaranteed deposits; repayment deadlines being reduced from the current 20 working days to 7 working days in 2024. Member States must now transpose the Directive by July 2015.

- EP resolution of 16 January 2013 on the feasibility of introducing Stability Bonds (2012/2028(INI)).
Rapporteur: Sylvie GOULARD (ALDE Group), ECON Committee.
Plenary vote: FOR: 361 - AGAINST: 268 - ABSTENTIONS: 33.
- EP legislative resolution on the Council position at first reading on 21 March 2014 with a view to the adoption of a directive of the European Parliament and of the Council Deposit Guarantee Schemes (recast) (05199/1/2014 - C7-0094/2014 - 2010/0270(COD)) (Ordinary legislative procedure: second reading), Rapporteur: Peter Simon, (S&D Group), ECON Committee.

European Council position in this field

The European Council welcomed in December 2013 the agreement reached by the legislators on the Deposit Guarantee Scheme Directive whereas, from October 2011 to October 2013, it repeatedly called for its adoption.

10. Common unemployment insurance scheme for the euro area

Potential efficiency gain: 17 billion euro per year

Key proposition

Research undertaken by the European Added Value Unit for the European Parliament's Employment and Social Affairs Committee (EMPL) on the potential benefits of an Unemployment Insurance Scheme (UIS) during the economic and financial crisis, suggests that such a scheme would have attenuated the GDP loss in the most affected euro-area Member States by 71 billion euro over four years, equivalent to circa 17 billion euro in any one year.⁶⁴

More detailed analysis

The creation of a common unemployment insurance (or reinsurance) scheme (UIS) for the euro area could act as an automatic stabiliser during any future periods of serious economic down-turn.

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

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

The Parliament's *Cost of Non-Europe Report* presents a range of estimates for the stabilisation effects of an EU unemployment scheme for national episodes of major distress sufficient to trigger assistance from a central fund. The stabilisation would only be for major shocks. The stabilisation effects are measured by combining the net inflow

⁶⁴ Micaela Del Monte and Thomas Zandstra, [The Cost of Non-Europe, Common unemployment insurance scheme for the euro area](http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_STU(2014)510984), European Added Value Unit, EPRS, September 2014. [http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_STU\(2014\)510984](http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_STU(2014)510984)

coming from the unemployment insurance scheme with a multiplier, on the basis that public expenditure generates an input to growth higher than the expenditure itself.⁶⁵

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

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

Other estimates of the cost of non-Europe

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

A study presented in 2012 by S. Dullien⁶⁶ suggested that a common insurance scheme would have reduced economic fluctuations in some euro-area countries. For instance in Spain, the fourth largest economy in the zone, such a fund could have mitigated the downturn by almost 25 per cent.⁶⁷ If so, the cost of the crisis in Spain would have been reduced by approximately 11 billion euro. Stabilisation of at least 10 per cent would also

⁶⁵ This multiplier varies with the type of expenditure, as well as according to the characteristics of the economy. Within the context of the Parliament's own assessment, a multiplier of 1.5 was considered as conservative estimation, which represents a cautious approach close to those used in the case studies analysed. By comparison, estimates to be found in the US economic literature on this subject vary between 0.7 and 3.0 dollars for every dollar spent on unemployment insurance.

⁶⁶ http://www.diw.de/documents/publikationen/73/diw_01.c.413714.de/diw_econ_bull_2013-01_2.pdf

⁶⁷ Data source: www.tradingeconomics.com On average, GDP growth in Spain in 2009 was -3.7 %, reaching a negative low of -4.4 % in June 2009.

have occurred in Ireland and Greece, potentially resulting in a reduction of the cost of the crisis there of 1.6 and 2.3 billion euro respectively. These savings total 15 billion euro.

In 2014, a Bertelsmann Stiftung study argued that, while the positive impact of an unemployment scheme will differ widely between countries, for serious down-turns, the stabilisation impact of a euro-area unemployment insurance scheme would have been sizeable⁶⁸ in a relatively large number of countries. Similarly, a research paper by the University of Namur⁶⁹ argues that the financial crisis has demonstrated that the euro area needs new stabilisation and adjustment mechanisms and, that an unemployment insurance scheme at EU level offers a valuable avenue for more stability in Member States. A policy brief by Bruegel⁷⁰ also discusses the pros and cons associated with a European unemployment insurance system. It argues that the introduction of this system could help EU economies to cope with an adverse shock while recognising the political and technical challenges it faces.

European Parliament position in this field

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

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

- EP resolution of 23 October 2013 on the European Semester for economic policy coordination: Implementation of 2013 priorities (2013/2134/(INI).
Rapporteur: Elisa FERREIRA (S&D Group), ECON Committee.
Plenary vote: FOR: 476 - AGAINST: 96 - ABSTENTIONS: 25.
- EP resolution of 4 February 2014 on the European Semester for economic policy coordination: Employment and social aspects in the Annual Growth Survey 2014 (2013/2158(INI)
Rapporteur: Sergio GUTIERREZ PRIETO (S&D Group), EMPL Committee.
Plenary vote: FOR: 545 - AGAINST: 120 - ABSTENTIONS:10.
- EP resolution of European Semester for economic policy coordination: Annual Growth Survey 2015, ECON/8/01999, 2014/2221(INI) Rapporteur: Rosati Dariusz (EPP Group), ECON committee.

⁶⁸ S. Dullien, [A European Unemployment Benefit Scheme, How to provide for more stability in the Euro zone](#), Bertelsmann Stiftung edition, 2014.

⁶⁹ Alain de Crombrughe, [European unemployment benefit expenditure solidarity](#), University of Namur, Department of Economics, February 2014.

⁷⁰ <http://www.bruegel.org/publications/publication-detail/publication/847-benefits-and-drawbacks-of-european-unemployment-insurance/>

European Council position in this field

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

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

11. Combatting VAT fraud

Potential efficiency gain: 9 billion euro per year

Key proposition

Given the extensive shortfall in VAT receipts, a benefit of at least 9 billion euro per year⁷¹ could be anticipated from action at EU level in this field, notably by the introduction of a standardised European invoice and/or an EU-coordinated or simplified cross-border taxation system. These actions could facilitate the fight against VAT fraud which affects the Union's financial interests and also facilitate cross-border transactions and reduce costs for businesses and citizens.

Other estimates of the cost of non-Europe

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

According to a study for the European Commission on the 'VAT gap' in 26 Member States, an estimated 177 billion euro in revenues was lost due to non-compliance or non-collection in 2012.⁷² That is a slight rise compared to 171 billion euro in 2011. The VAT gap is the difference between expected VAT revenue and the money actually collected by national authorities. While non-compliance is certainly an important contributor to this revenue shortfall, the VAT gap is not only due to fraud. Unpaid VAT also results *inter alia* from bankruptcies and insolvencies, statistical errors, delayed payments and legal avoidance.

According to another study for the Commission, a stronger and better-coordinated EU VAT returns policy could result in the additional receipt of between 9.5 and 20.6 billion euro a year, depending on the level of harmonisation.⁷³ An EU 'standard VAT return', mandatory for Member States but optional for businesses registered in multiple Member States, could bring in around 9.5 billion euro per year. The lower boundary value has been retained as a conservative estimate of the potential gains.

⁷¹ PWC, Study on the [Feasibility and impact of a common EU standard VAT return](#), undertaken for the European Commission, February 2013 – lower range value used.

⁷² CPB Netherlands Bureau for Economic Policy Analysis, [2012 Update Report to the Study to quantify and analyse the VAT Gap in the EU-27 Member States](#), October 2014, undertaken for the European Commission.

⁷³ PWC, [Study on the Feasibility and impact of a common EU standard VAT return](#), undertaken for the European Commission, February 2013.

European Parliament position in this field

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

- EP resolution of 21 May 2013 on Fight against Tax Fraud, Tax Evasion and Tax Havens(2013/2060(INI)).
Rapporteur: Mojca KLEVA KEKUŠ (S&D Group), ECON Committee.
Plenary vote: Show of hands.
- EP resolution of 13 October 2011 on the future of VAT (2011/2082(INI)) based on the Casa report.
Rapporteur: David CASA (EPP Group), ECON Committee.
Plenary vote: FOR: 521 - AGAINST: 50 - ABSTENTIONS: 58.
- EP resolution of 2 April 2014 (consultation) on the proposal for a Council Directive amending Directive 2011/96/EU on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States.
Rapporteur: Mojca Kleva KEKUŠ (S&D Group), ECON Committee.
Plenary vote: FOR: 513 - AGAINST: 32 - ABSTENTIONS: 81.

European Council position in this field

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

In May 2013, the European Council agreed that negotiations should begin as soon as possible with Switzerland, Liechtenstein, Monaco, Andorra and San Marino to ensure that these countries continue to apply measures equivalent to those in the EU. In March 2014 the European Council welcomed the Commission's report on the state of play of negotiations on savings taxation with European third countries (Switzerland, Liechtenstein, Monaco, Andorra and San Marino) and called on those countries to commit fully to implementing the new single global standard for automatic exchange of information, developed by the OECD and endorsed by the G20, and to the early adopters initiative and called on the Commission to carry forth the negotiations with those countries swiftly with a view to concluding them by the end of the year, and invites the Commission to report on the state of play at its December meeting. If sufficient progress is not made, the Commission's report should explore possible options to ensure compliance with the new global standard.

ENERGY AND ENVIRONMENT

12. Integrated energy markets in Europe

Potential efficiency gain: 250 billion euro per year

Key proposition

A more physically integrated single market in energy could result in annual efficiency gains of at least 250 billion euro. This figure takes into consideration both the European Parliament's own assessment in four specific areas of the market - focusing only on possible new measures⁷⁴ - which was undertaken by the European Added Value Unit for the Committee on Industry, Research and Energy (ITRE), full implementation of EU's energy efficiency measures as well as further gains estimated in other studies detailed below.

More detailed analysis

A more economically and physically integrated single market in energy could provide increased price benefits for consumers and businesses. For this to occur, a fully completed infrastructure between various energy markets is necessary, in combination with the supporting regulatory and political conditions to foster energy trade.

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

- *Regulated prices:* A 'tariff deficit'⁷⁵ is accumulated for each kWh of electricity supplied at a regulated tariff. In countries like Spain or Poland with approximately 15 million domestic consumers with an average annual electricity consumption of 3,000 kWh (80 per cent supplied at the regulated tariff), the total tariff deficit would be around 720 million euro per year. This could mean 9.5 billion euro per year for the Union as a whole.
- *Development of hubs and exchanges:* To assess 'non-Europe' and a 'physically integrated' situation, the costs of non-integrated generation portfolios in six Member States (Germany, France, Luxembourg, the Netherlands, Belgium and Austria) were compared with a physically integrated situation. This showed that, over the whole

⁷⁴ Micaela del Monte, *The Cost of Non-Europe in the Single Market for Energy*, European Added Value Unit, EPRS, September 2013.
[http://www.europarl.europa.eu/thinktank/en/document.html?reference=IPOL-JOIN_ET\(2013\)504466](http://www.europarl.europa.eu/thinktank/en/document.html?reference=IPOL-JOIN_ET(2013)504466)

⁷⁵ 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.

area, 16.5 GW less generation capacity was required, roughly 8.0 per cent less than would be required in separate portfolios. The costs thus avoided on a per annum basis were estimated at 1.2 billion euro (capital costs) and 448 million euro (fixed operational costs). This indication of the cost of non-Europe for the six Member States would translate into more than 3.0 billion euro per year in the long term at EU level.

- *Lack of market coupling*: In a situation where two markets are already connected, physically as well as commercially, market coupling increases the efficiency of capacity allocation. A case study looked at the border between France and Italy, estimating the efficiency loss by comparing the cost of capacity bookings to the value of the capacity, the cost of explicit auctions between France and Italy both for the day-ahead and the intra-day auction results, the cost of implicit auctions, and, finally, estimating the cost difference. The efficiency loss was estimated to be 78 million euro per year on the border of Italy and France.
- *Balancing market*: Transmission system operators (TSOs), whose area of responsibility is usually defined along national borders, generally manage their balancing operations separately. Working together would reduce required back-up capacity and the amount of energy used. The International Grid Control Cooperation, involving six TSOs and with Germany at its centre, saves around 300 million euro per year.

Other estimates of the cost of non-Europe

According to a European Commission study, greater overall energy efficiency could cut the EU's energy bill by about €200 billion per year⁷⁶. There is an extensive literature on the untapped potential of closer cooperation in energy policy in Europe. For the purposes of this report, an annual benefit of 200 billion euro is estimated to accrue from energy efficiency measures, including the new Energy Efficiency Plan and the Energy Efficiency Directive which entered into force in December 2012, together with gains from the areas mentioned above.

⁷⁶ European Commission, [Energy challenges and policy](#) - contribution to the European Council of 22 May 2013.

The table below provides a summary of the estimations of the potential gains from closer cooperation, some calculating the possible long-term benefit at almost 500 billion euro.⁷⁷

Building Blocks - Potential efficiency gains by energy sector		(billion euro per year)
Gas and Electricity		
Full integration of the energy market ⁷⁸		12.5 - 40
Full implementation of the third energy package in 2015 compared to 2012 ⁷⁹		8.0 - 30
Switching for energy providers ⁸⁰		13
Addressing uncompetitive price differentials between Member States ⁸¹		15
Renewables		
Implementation of the coordinated renewable investment scenario ⁸²		16 - 30
A renewable production increased to 238 Mtoe by 2020 to lower the independency of energy import ⁸³		50
Total gross value added of the renewable energy sources (RES) sector in the EU in 2030s ⁸⁴		99 - 197
Achieving the EU-wide e 20 per cent renewable energy target efficiently in all MS ⁸⁵		8
Energy efficiency		
20 % increase in energy efficiency in buildings ⁸⁶		193
Full implementation of EU's energy efficiency measures ⁸⁷		200

⁷⁷ Research by the Fraunhofer Institute in 2013 has shown that the EU has a 41 per cent cost-effective end-use energy savings potential for 2030. Tapping this potential would reduce greenhouse gas emissions in 2030 by at least 49 per cent to 61 per cent, compared to 1990 levels, as well as boost competitiveness and lower net energy costs for households and industry by 2030. According to the study, households and industry would receive net benefits of 240 billion euro annually by 2030 and of about 500 billion euro by 2050 in lower energy bills.

Study available at: <http://www.isi.fraunhofer.de/isi-en/x/projekte/2030-target-system.php>

⁷⁸ This study, commissioned by the Commission, estimated that the net benefit of achieving generation adequacy in the internal electricity market would amount to 7.5 billion euro per year in the period 2015 to 2030. Furthermore, it is expected that EU-wide sharing of balancing reserves would generate annual net benefits of up to 0.5 billion euro. Additional material gains in the order of 4 billion euro could come from using smart grids to facilitate a demand-side response at consumer level. Booz & Company, Study on the benefits of an integrated European energy market, 2013:

http://ec.europa.eu/energy/infrastructure/studies/doc/20130902_energy_integration_benefits.pdf

⁷⁹ European Commission, *Energy challenges and policy* - contribution to the European Council of 22 May 2013.

⁸⁰ http://ec.europa.eu/energy/gas_electricity/consumer/consumer_en.htm

⁸¹ European Commission, *Energy challenges and policy* - contribution to the European Council of 22 May 2013.

⁸² Booz & Company, op. cit.

⁸³ *Energy Economic Developments in Europe*, January 2014.

⁸⁴ *The impact of renewable energy policy on economic growth and employment in the European Union*, study commissioned by the European Commission, 2006.

⁸⁵ European Commission, *Energy challenges and policy* - contribution to the European Council of 22 May 2013.

⁸⁶ Presentation by José Manuel Barroso, *Energy Priorities for Europe*, to the European Council of 22 May 2013.

⁸⁷ European Commission, *Background on Energy in Europe*, information prepared for the European Council, 4 February 2011.

European Parliament position in this field

In November 2012, the European Commission presented a Communication entitled 'Making the Internal Energy Market Work',⁸⁸ accompanied by an action plan. In that context, the European Parliament has stressed the need to move forward with the implementation of the third internal energy market package, particularly its effective transposition. It also underlined the importance of providing comparison tools for consumers, allowing transparent pricing and billing, and emphasised the need to reinforce security of supply, end the physical isolation of several Member States in the energy market, and pay greater attention to the needs of vulnerable consumers.

Among other key actions that the Parliament has called for are: modernisation of existing energy transmission, distribution and storage infrastructure, especially trans-border interconnections. Where relevant, interconnections should also be developed with third countries; implementation and enforcement of internal market legislation especially competition rules for all market players; a feasibility study on a European fund for investment in energy networks, financed by a compulsory levy on energy consumption on the territory of the EU; a comprehensive assessment of generation adequacy, based on harmonised methodology, and provide guidance on how to enhance and maintain supply; and reduction of energy bills by adopting and implementing ambitious binding targets for the reduction of greenhouse gas emissions, for renewable energy sources and for energy efficiency.⁸⁹ In March 2014, in the context of the situation in Ukraine, the Parliament also underlined the need to increase EU storage capacities and provide reverse flow of gas from EU Member States to Ukraine.⁹⁰

- EP resolution of 10 September 2013 on making the internal energy market work (2013/2005(INI)).
Rapporteur: Jerzy BUZEK (EPP Group), ITRE Committee.
Plenary vote: Show of hands.
- EP resolution of 5 February 2014 on a 2030 framework for climate and energy policies (2013/2135(INI)).
Rapporteur: Anne DELVAUX (EPP Group), ENVI and ITRE Committees.
Plenary vote: FOR: 341 - AGAINST: 263 - ABSTENTIONS: 26.

⁸⁸ European Commission, [Making the internal energy market work](#), COM(2012)663 final, November 2012.

⁸⁹ European Parliament resolution of 5 February 2014 on a 2030 framework for climate and energy policies [\(2013\)2135/INI](#).

⁹⁰ Joint Motion for a Resolution of 12 March 2014 on the invasion of Ukraine by Russia, [2014/2627\(RSP\)](#).

European Council position in this field

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

On 25 February 2015, the European Commission adopted its strategy for a European Energy Union, a key point in the 10-point plan of Commission President Jean-Claude Juncker. The strategy is divided in three parts: a Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy, an Interconnection Communication, and a Communication setting out a vision for a global climate agreement in Paris in December 2015.

13. Water legislation

Potential efficiency gain: 25 billion euro per year

Key proposition

New research commissioned by the Parliament's Committee on the Environment, Public Health and Food Safety (ENVI) from the European Added Value Unit on EU water legislation has analysed the implementation of EU water policies and, on that basis, identified and quantified the economic and social costs of lack of action at European level - particularly shortcomings in programming, re-use of waste water, eco-design and water metering, economic instruments and pharmaceutical residues - at some 25 billion euro per year.

More detailed analysis

The Water Framework Directive (WFD) introduced innovative policy instruments and stringent goals to improve the quality and management of European waters. By providing a framework for a range of water-related legislation, the EU created a comprehensive body of regulation and guidance. With the entry into force in 2000 of the WFD, the EU set itself long-term and ambitious objectives for managing and improving the quality and quantity of its entire aquatic environment and laid down requirements for integrated and transparent river-basin management. The assessment made on the implementation of this water legislation, however, demonstrates that there are several shortcomings in the existing framework that form barriers to achieving the goals set in the Water Framework Directive. More European action would be necessary to limit the impact on Europe's water quality by flooding and pharmaceuticals. To limit the use of fresh water in general there is also a need for European coordination to increase the use of water efficient equipment and water metering. European action in the field could eliminate "non-Europe" and bring substantive benefits, albeit only after substantial investment.

The effective use and management of water is an increasingly important part of an efficient and environmentally sustainable economy and society. Currently, each European uses, on average, 100-200 litres of tap water a day. Households account for about 10 per cent of total water consumption in the whole of the EU. Only about 5 per cent of this is used for drinking and cooking⁹¹ and some 20 per cent of water in the EU is lost due to inefficiency.

⁹¹ European Environment Agency (EAA) data on household consumption

The table below provides an overview of the areas where gains could be expected from action at European level.

Building Blocks - Potential efficiency gains from Water legislation	Cost of Non-Europe (billion euro)
Realising flood plans	15
Reducing pharmaceutical residues in urban waste water	9
Increased use of water efficient equipment	1
Increased application of water metering	0.2
Total:	25.2

European Parliament position in this field

While the European Parliament considers the existing Water Framework Directive 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 October 2015.

The Parliament has therefore called on the Commission to update and adapt existing legislation to water policy priorities, to address the impact of specific sectors and activities, to take account of technological advances for the re-use and recycling of water, in order to allow efficient reuse of treated waste-water and grey-water, and to ensure that various activities producing significant amounts of water-waste are duly covered by the Environmental Impact Assessment Directive. The Parliament has also called for the adoption of an EU policy on water shortages and droughts.

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

RESEARCH AND DEVELOPMENT

14. European Research Area

Potential efficiency gain: 22 billion euro per year

Key proposition

Currently, some 85 per cent of European publicly-funded research is undertaken exclusively at national level, without transnational collaboration, while only 15 per cent of funding is coordinated either in intergovernmental organisations or spent jointly in the EU's research framework programme.⁹² The European Research Area (ERA) framework is intended to deepen cooperation, reducing fragmentation and duplication of research efforts. Based on the European Commission's impact assessment,⁹³ it is reasonable to assume that such a deepening could lead to an efficiency gain of around 22 billion euro per year, between 2010 and 2030.

More detailed analysis

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

The European Commission's impact assessment on the ERA estimates that the combined effect of the Barcelona target, Horizon 2020 and an increased share of transnational funding would lead to 445 billion euro of additional GDP growth and 7.2 million more jobs between in 2030.⁹⁴ This implies annual growth of an additional 0.25 per cent of GDP. Assuming a uniform distribution of benefits over the period, the potential efficiency gain for the EU economy as a result of an integrated European Research Area can be estimated at 22 billion euro per year.⁹⁵

Other studies indicate that EU-funded research activity has been characterised by considerable growth in terms of participating entities and participation across successive

⁹² LERU, *The European Research Area: Priorities for Research Universities*, Advice Paper No 9, December 2011. LERU response to the European Commission Consultation: 'The European Research Area Framework: Untapped areas of potential'.

⁹³ European Commission, *Impact Assessment accompanying the Communication - A Reinforced European Research Area Partnership for Excellence and Growth*, SWD(2012)0212.

⁹⁴ Ibid.

⁹⁵ 445 billion euro, annualised over 20 years.

framework programmes, resulting in a wider set of networks, helping to create critical mass in research.⁹⁶

European Parliament position in this field

The European Parliament's Committee on Industry, Research and Energy (ITRE) has shown its interest in the European Research Area with an Oral Question to the Council and Commission in July 2013 on completing the ERA and the need for a stronger commitment from Member States and stakeholder organisations. In February 2014, the ITRE Committee held a public hearing on the subject. The Parliament has called for: more effective national research systems; optimal transnational co-operation and competition; an open labour market for researchers; gender equality and gender mainstreaming in research; and optimal circulation, access to and transfer of scientific knowledge.

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

European Council position in this field

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

At its meeting of December 2014, the Competitiveness Council recalled the European Council conclusions on ERA and underlined the need to create a genuine single market for knowledge, research and innovation. The Competitiveness Council acknowledged that many steps have been taken to establish this single market and underlined that it is now mainly up to the Member States and research stakeholders to implement the necessary reforms. The Competitiveness Council called on all ERA actors to adequately address remaining gaps and called on the Commission to further improve the ERA Monitoring Mechanism.

⁹⁶ T. Roediger-Schluga and M. J. Barber, [R&D collaboration networks in the European framework programmes: data processing, network construction and selected results](#), *International Journal of Foresight and Innovation Policy* 4: 321-347, 2008. Breschi and Cusmano, [Unveiling the texture of a European Research Area: emergence of oligarchic networks under EU Framework Programmes](#), *International Journal of Technology Management*, Vol. 27, No 8, 2004. European Commission, *High Level Panel on the Socio-Economic Benefits of the ERA*, Final report, June 2012.

CITIZENS' RIGHTS

15. Combatting violence against women

Potential reduction in direct costs: 7 billion euro per year

Key proposition

The Europe-wide figures on violence against women indicate that 33 per cent of women have experienced physical and/or sexual violence at some time since the age of 15.⁹⁷ A *European Added Value Assessment*⁹⁸ undertaken by the European Added Value Unit for the European Parliament's Committee on Women's Rights and Gender Equality (FEMM), in support of a legislative initiative, estimated that the annual cost to the EU 28 of gender-based violence against women amounts to 69 billion euro per year, or 0.5 per cent of EU GDP, of which 45 billion euro a year is in costs to public and state services and 24 billion euro in terms of lost economic output. It is impossible to eradicate such violence completely – therefore a more cautious estimate is that if a Directive on combatting violence against women reduced violence by up to 10 per cent, it would correspondingly reduce the direct economic costs by almost 7 billion euro per year.

More detailed analysis

The *European Added Value Assessment* on combating violence against women, drafted in support of a legislative initiative in the European Parliament, estimates the economic cost of such violence at 69 billion euro annually (2011), or 0.5 per cent of EU GDP. The figures were calculated by identifying the impacts of violence against women (estimating their size and costs); attributing these costs to different stakeholders; and then scaling up from Member State to EU level, and are based on an extrapolation to the EU as a whole of figures for the United Kingdom published by the Department of Trade and Industry (DTI) in 2004.⁹⁹

The three main types of costs of violence against women identified and investigated were: (a) in services - the legal system (criminal and civil), health services (physical and mental), and specialised services (costs attributed to the state and the public); (b) in lost economic output - the effect of injuries on working time and of diminished productivity through reduced concentration at work (costs borne by business and economy); and (c) in

⁹⁷ 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>

⁹⁸ Monika Nogaj, *Combatting violence against women: European Added Value Assessment*, European Added Value Unit, EPRS, November 2013. [http://www.europarl.europa.eu/thinktank/en/document.html?reference=IPOL-JOIN_ET\(2013\)504467](http://www.europarl.europa.eu/thinktank/en/document.html?reference=IPOL-JOIN_ET(2013)504467)

⁹⁹ Sylvia Walby, *The Cost of Domestic Violence*, 2004.

the pain and suffering of the victims - calculated following a methodology used in other domains and based on the estimates of the public's willingness to pay to avoid harm and injuries (costs borne by the victims). The impacts for individuals and wider society, for which the precise scale of effects is not known in detail, were not included in the cost calculation.

The total cost of violence against women for the EU 28 was thus estimated at 228 billion euro annually. This figure includes 45 billion euro a year in costs to public services, 24 billion euro in terms of lost economic output, and 159 billion euro annually as the cost of the pain and suffering of the victims. If we do not include the indirect costs – namely, monetisation of the cost of the pain and suffering – the cost of violence against women comes to at least 69 billion euro per year, or 0.5 per cent of EU GDP. An initiative of the type proposed by Parliament, even if it were to reduce violence by only 10 per cent, would thus reduce the direct economic costs by approximately 7.0 billion euro per year.

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

Other estimates of the cost of non-Europe

In a 2006 study, the Council of Europe provided a rough comparative analysis of the cost estimates for domestic violence among its member states.¹⁰⁰ The study concluded that the costs lay within a range of about 20 to 60 euro for every person in the population per year (2006 prices). Another 2006 study, funded by the Commission under the DAPHNE programme, focused on domestic violence.¹⁰¹ It estimated the economic cost of the latter at 16 billion euro annually for EU Member States (again, in 2006 prices). The figures include medical, judicial, police, social and economic costs.

¹⁰⁰ Carol Hagemann-White, *Combating violence against women, Stocktaking study on the measures and actions taken in Council of Europe member states*, 2006.

¹⁰¹ Psytel, Ingénierie de l'information, *Estimated cost of domestic violence in Europe* (IPV EU cost - 2006), 2006.

European Parliament position in this field

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

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

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

16. EU codification of private international law

Potential efficiency gain: 98 million euro per year

Key proposition

Issues in the field of private international law (PIL) mostly affect citizens who have personal links with at least two different Member States. It is estimated that around 3.2 per cent of the entire European population were born in a Member State other than the one in which they currently reside, and that around 4.0 per cent of the population is involved in cross-border activities and relationships that involve the law of more than one Member State. For these 20 million European citizens, the lack of a harmonised European approach to private international law can be costly. It has been estimated that the codification of such law could result in savings of at least 98 million euro per year, mainly to individual citizens and small and medium-sized enterprises.¹⁰²

More detailed analysis

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

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

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

¹⁰² Blanca Ballester, *European Code on Private International Law: Cost of Non-Europe Report*, European Added Value Unit, European Parliament, June 2013.
[http://www.europarl.europa.eu/thinktank/en/document.html?reference=IPOL-
JOIN_ET\(2013\)504468](http://www.europarl.europa.eu/thinktank/en/document.html?reference=IPOL-JOIN_ET(2013)504468)

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

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

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

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

European Parliament position in this field

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

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

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

17. Cross-border voluntary activity within the EU

Potential efficiency gain: 65 million euro per year

Key proposition

The process of volunteering has a positive effect on economic growth. Estimates for 13 Member States indicate that the average contribution to the overall economy of volunteering in the sports sector alone amounts to around 0.82 per cent of GDP, resulting in a gain of approximately 83 million euro per annum. 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 study undertaken by the GHK for the European Commission on volunteering in the European Union¹⁰³ assessed the legal, administrative and other barriers to cross-border volunteering that prevent cross-border volunteering from achieving its full potential. The study showed that stronger EU action in the field of cross-border volunteering could increase the visibility of cross-border volunteering and its socioeconomic contribution, fostering a more efficient model for cross-border volunteering and enhancing participation. Areas where the EU can act to facilitate cross-border volunteering relate to funding programmes, information events, research to allow more evidence-based policy making and priority setting in funding programmes, developing tools for reflecting upon and demonstrating cross-border volunteering skills and engaging in dialogue with representatives of volunteer organisations. The study identified that the costs associated with these barriers is about EUR65m per year. The bulk of these costs stem from volunteers contributing less of their time to cross-border initiative than they potentially could. Removing these barriers allows volunteers to spend more time on their volunteering work and path the way for more cross-border volunteering initiatives.

Other estimates of the cost of non-Europe

The European Volunteer Centre's 2006 *Manifesto for Volunteering in Europe* estimated the economic value of volunteering in the UK at more than 65 billion euro per year, or 7.9 per cent of GDP.¹⁰⁴ It suggested that for every euro of public funding spent to support volunteering, volunteers generated 30 euro worth of work. Estimates for Poland indicate that the added value of volunteering in that Member State amounted to 124 million euro in 2004. A study published by the Johns Hopkins' Comparative Non-Profit Sector Project revealed that in many countries, volunteer workers represent the equivalent of 3.0 to 5.0 per cent of the economically-active population. It estimated that, in the 37 countries studied, they contributed 400 billion dollars to the global economy, representing an average of 1.0 per cent of GDP.

¹⁰³ GHK, [Volunteering in the European Union](#), February 2010.

¹⁰⁴ European Volunteer Centre, *Manifesto for Volunteering in Europe*, 2006.

European Parliament position in this field

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

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

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

18. Improved operation of the European Arrest Warrant

Potential efficiency gain: 43 million euro per year

Key proposition

In a resolution adopted in February 2014, the European Parliament argued that, although the European Arrest Warrant (EAW) was generally recognised as a successful instrument in helping to ensure that criminals were brought to justice, its practical implementation could be improved, especially in respect of certain unnecessary financial costs to national authorities. A *European Added Value Assessment*, prepared by the European Added Value Unit for the European Parliament's Committee on Civil Liberties, Justice and Home Affairs (LIBE), in support of a legislative initiative, assessed these costs to be around 215 million euro during the period between 2005 and 2009, or approximately 43 million euro per year.¹⁰⁵

More detailed analysis

Assuming that the unit cost of enforcing an EAW is approximately 20,000 euro, the estimated total cost of implementing the EAWs executed within the EU between 2005 and 2009 would be just over 232 million euro for the EU as a whole. The Commission's 2011 implementation report stated that, between 2005 and 2009, 54,689 EAWs were issued, of which only 11,630 were executed.¹⁰⁶ However, the fact that almost three-quarters (43,059) of incoming EAWs were not executed does not mean that certain costs - relating to the police, judicial authorities and sometimes pre-detention - were not generated. In which case, based on a cautious approach and assuming a minimum unit cost of 5,000 euro, the estimated cost of non-executed EAWs, some based on abuse or misuse, between 2005 and 2009, would be just above 215 million euro for the EU as a whole, equivalent to 43 million euro per year. This rough estimate does not include the economic costs to individuals, which have to be taken into consideration, such as lost working days, legal costs, and emotional costs. Any measures that could significantly reduce the non-execution rate would lead both to a more effective criminal justice system and to an efficiency gain in the European economy.

Other estimates of the cost of non-Europe

Unfortunately, comprehensive estimates of the costs of administering the EAW system across the EU are not currently available. However, the UK government has estimated

¹⁰⁵ Micaela del Monte, *Revising the European Arrest Warrant: European Added Value Assessment*, European Added Value Unit, EPRS, March 2014.
[http://www.europarl.europa.eu/thinktank/en/document.html?reference=IPOL-
JOIN_ET\(2013\)510979](http://www.europarl.europa.eu/thinktank/en/document.html?reference=IPOL-JOIN_ET(2013)510979)

¹⁰⁶ European Commission, *Implementation since 2007 of the Council Framework Decision of 13 June 2002 on the European Arrest Warrant and the surrender procedures between Member States*, COM(2011)175, 2011.

that the unit cost of executing an incoming EAW is approximately 20,000 pounds sterling.¹⁰⁷ This figure includes the costs to the police, the Crown Prosecution Service, and court and legal-aid costs, as well as those of detention before extradition. On this basis, the estimated cost to the UK of implementing the 999 incoming EAWs it received in 2011 would be just under 20 million pounds (approximately 24 million euro). In addition, there would have been costs associated with the 5,761 EAWs that did not lead to surrender, but would nevertheless have impacted on the judicial system. Although such data cannot be extended to all other Member States on a simple linear basis, they provide a sample of the average unit cost that may be involved.

The sensitive field of detention conditions is an important issue, as it is closely linked to the practical implementation of the EAW. Owing to the flight-risk, non-resident suspects are often remanded in custody, whereas residents often benefit from alternative measures. If correctly implemented, some of the recommendations included in the adopted EP resolution on the review of the European Arrest Warrant could reduce pre-trial detention cases. A Commission evaluation estimates that a month of pre-trial detention in Europe costs around 3,000 euro.¹⁰⁸

European Parliament position in this field

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

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

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

¹⁰⁷ Data source: <http://www.publications.parliament.uk/pa/cm201314/cmselect/cmhaff/615/61504.htm>

¹⁰⁸ European Commission, *Impact Assessment Accompanying the Proposal for Measures on Legal Aid for Suspects or Accused Persons in Criminal Proceedings*, SWD(2013)476 final, November 2013.

19. European mutual society

Potential gains still to be assessed

Key proposition

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

At the request of the European Parliament's Legal Affairs Committee (JURI), the European Added Value Unit prepared a *European Added Value Assessment* on this subject in 2013, in support of the committee's legislative initiative.¹⁰⁹

More detailed analysis

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

European Parliament position in this field

The European Parliament considers that the concept of a European mutual society should be established in law, available as an option for mutual societies that wish to operate across national boundaries. Detailed recommendations have been made in relation to the objectives and scope of a proposal and to the future governance of such societies. The Parliament considers it regrettable that the European Commission, having withdrawn its proposal for a statute for a European mutual society in 2006, has not put forward any new proposals since. The Commission's stakeholder consultation on the results of a study on the 'current situation and prospects of mutuals in Europe'¹¹⁰ suggested that there is strong support among respondents for the possibility of being able to incorporate as a European mutual society. The Parliament therefore believes that the Commission should submit, on the basis of Articles 352 and/or possibly 114 TFEU, new proposals in this field.

¹⁰⁹ Blanca Ballester, *A Statute for European Mutual Societies: European Added Value Assessment*, European Added Value Unit, European Parliament, January 2013.
[http://www.europarl.europa.eu/RegData/etudes/etudes/join/2013/494461/IPOL-
JOIN_ET\(2013\)494461_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/etudes/join/2013/494461/IPOL-JOIN_ET(2013)494461_EN.pdf)

¹¹⁰ http://ec.europa.eu/enterprise/policies/sme/files/mutuals/prospects_mutuals_fin_en.pdf

- EP resolution of 14 March 2013 on the Statute for a European mutual society (2012/2039(INI)).
Rapporteur: Luigi BERLINGUER (S&D Group), JURI Committee.
Plenary vote: Show of hands.
- EP declaration of 10 March 2011 on establishing European statuses for mutual societies, associations and foundations.¹¹¹
Signed by 386 MEPs.

¹¹¹ OJ C 199 E, 7.7.2012, p. 187

20. EU Law of Administrative Procedure

Potential gains still to be assessed

Key proposition

A single, general 'Law of Administrative Procedure' at EU level would contribute to a more efficient Union administration and potentially bring about cost savings, as clear and consistent standards for the interaction of the EU institutions with the general public should reduce burdens and save time and money for citizens, as well as reducing the volume of litigation, improving resource efficiency, and helping rationalise IT systems and e-Government services. Overall potential savings are significant, but difficult to assess at present. At the request of the European Parliament's Legal Affairs Committee (JURI), a *European Added Value Assessment* was undertaken by the European Added Value Unit in 2012 on this issue, in support of the Committee's legislative initiative.¹¹²

More detailed analysis

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

European Parliament position in this field

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

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

¹¹² Monika Nogaj, *Law of Administrative Procedure of the European Union: European Added Value Assessment*, European Added Value Unit, European Parliament, November 2012.
[http://www.europarl.europa.eu/thinktank/en/document.html?reference=IPOL-
JOIN_ET\(2012\)494457](http://www.europarl.europa.eu/thinktank/en/document.html?reference=IPOL-JOIN_ET(2012)494457)

21. 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 lead to significant economic benefits - by reducing the severity of industrial conflicts, reducing the rate at which people leave their jobs (the so-called 'quit rate'), increasing employability, and/or easing social and health effects on social welfare systems and the related costs (notably in health-related treatment). A *European Added Value Assessment*,¹¹³ prepared on the subject by the European Added Value Unit for the European Parliament's Employment and Social Affairs Committee (EMPL) in support of a legislative initiative analysed how an appropriate initiative at EU level should limit the social costs of structural adjustment, provide an integrated and coherent approach to dealing with restructuring, and help eliminate potential distortions of competition within the single market and inequalities in treatment of workers resulting from divergences in national regulations. Across the Union as a whole, the measure could generate efficiency gains of around 3 billion euro per year.

More detailed analysis

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

¹¹³ Micaela del Monte, *European added value of an EU measure on information and consultation of workers, anticipation and management of restructuring processes*, European Added Value Unit, European Parliament, November 2012.
[http://www.europarl.europa.eu/thinktank/en/document.html?reference=IPOL-
JOIN_ET\(2012\)494459](http://www.europarl.europa.eu/thinktank/en/document.html?reference=IPOL-JOIN_ET(2012)494459)

Labour productivity is defined by the OECD as gross domestic product (GDP) per hour worked. More simply, productivity is a measure of output from a production process, per unit of input. The labour input is defined as total hours worked by all persons engaged, and the data for labour input comes from the OECD Employment Outlook, Annual National Accounts and Labour Force Statistics. On the basis of these statistics, the productivity level in Europe - or GDP output per hour worked - varies from 26.2 dollars per hour in Poland to 77.1 dollars per hour in Luxembourg, with the euro area having a labour productivity of around 51 US dollars per hour. Based on a cautious assumption of the average of labour productivity per hour at EU 28 level of 26 dollars per hour, the economic added value of the proposed measure was estimated to be around 40,950 dollars per year per unit of labour. This figure was obtained by multiplying the labour productivity by the labour hours in a given week, and then by the labour weeks in a year (26 USD x 35H x 45W). This, multiplied by the estimated number of redundancies that could have been avoided in 2011, then gives a figure of approximately 4.0 billion dollars, equivalent to 3.0 billion euro. The result was combined with the potential costs for implementing the measures and further reduced by applying a 'compliance rate' (i.e. the extent to which the proposed measures would be implemented in Member States).

Building Blocks - Potential efficiency gains from information and consultation of workers	Cost of Non-Europe (billion euro)
Early consultation and reduction in the number of redundancies by approximately 22 per cent	3
Helping 35 per cent of redundant workers find new jobs	4.8
Training to help 36 per cent of redundant workers find new jobs	4.9
Total:	12.7

Other estimates of the cost of non-Europe

There is evidence showing that the success of redeployment depends very much on the past career of the workers concerned and how much they benefited from training and career guidance in the transition process.¹¹⁴ 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.¹¹⁵

¹¹⁴ Bernard Gazier, *Using active and passive employment policies to accompany globalization-related restructuring*, International Labour Organisation (ILO), 2005.

¹¹⁵ Raymonde Torres, *Social accompaniment measures for globalisation: sop or silver lining?*, ILO, 2005.

European Parliament position in this field

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

The Parliament calls on the Commission to submit, on the basis of Article 225 TFEU and after consulting the social partners, a legislative proposal on information and consultation of workers, anticipation and management of restructuring, following the detailed recommendations set out in Annex I of its resolution of 15 January 2013. In its response to the Parliament's legislative initiative, the Commission indicated that it did not intend to present a proposal for legislation, but would put forward a communication on establishing a quality framework for restructuring and anticipation of change, which was presented in December 2013.¹¹⁶

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

¹¹⁶ European Commission, [EU quality framework for anticipation of change and restructuring](#), COM(2013)0882, December 2013.

22. Equal pay for equal work

Potential efficiency gain: 13 billion euro per year

Key proposition

There is important evidence that closing the gender pay gap (GPG) is not only desirable in its own right, but has a positive effect on economic growth. A *European Added Value Assessment*¹¹⁷, prepared by the European Added Value Unit for the European Parliament's Committee on Women's Rights and Gender Equality (FEMM) in support of a legislative initiative, concluded that each 1.0 per cent reduction in the gender pay gap would result in an increase in GDP of 0.1 per cent. A European-level initiative with this effect could boost EU GDP by 13 - 51 billion euro per year. For the purposes of this paper, a low-range value of 13 billion euro has been retained.

More detailed analysis

Work was undertaken on the potential economic gain from a proposed revision of Directive 2006/54/EC on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation. A persistent gender pay gap reduces economic efficiency because productive labour is not being allocated in an optimal manner. On the contrary, research has proven that closing the gender pay gap can have many positive effects, such as for instance: reduced staff turnover and associated loss of organisational competence for companies and reduced likelihood of lengthy and costly litigation, increase in productivity, increase in women's working hours (as women tend to move from unpaid work in the home to paid employment), higher job satisfaction and lower absenteeism.

On the basis of empirical evidence and previous studies, it was established that every 1.0 per cent reduction in the GPG would result in an increase in GDP of 0.1 per cent across the European Union. The minimum and maximum levels of impact of such legislative action on reducing the gender pay gap were assessed to lie between one and three per cent for selected recommendations, thus providing a potential gain of between 0.1 and 0.3 percentage points of the EU-28 GDP(2013)¹¹⁸, or between 13 and 39 billion euro per year in real terms. These estimates do not take into account the heterogeneous situation across EU Member States in terms of gender pay gap, given that some countries have already partly implemented some of the assessed recommendations. These disparities mean that certain countries have scope for greater reduction in the gender pay gap, and have the potential to enjoy the economic benefits resulting from a more egalitarian pay structure. Moreover, it does not take into account the interplay between the different

¹¹⁷ Micaela del Monte, *European Added Value Assessment on the application of the principle of equal pay for men and women for equal work of equal value*, European Added Value Unit, EPRS, June 2013. [http://www.europarl.europa.eu/thinktank/en/document.html?reference=IPOL-JOIN_ET\(2013\)504469](http://www.europarl.europa.eu/thinktank/en/document.html?reference=IPOL-JOIN_ET(2013)504469)

¹¹⁸ EU 28 GDP in 2013 was 13,075 billion euro.

recommendations, i.e. the cumulative effect of combining different options. Nevertheless, a lower boundary value of 13 billion euro is retained as a conservative estimate.

Other estimates of the cost of non-Europe

According to economic literature, the benefits of reducing the GPG are numerous, including not only an increase in female wages, but also a reduction in low-income benefit payments, a change in the fertility rate and an increase in female employment.¹¹⁹ A 2012 OECD study concluded that, on average, a 50 per cent decrease in the gender gap in labour force participation rates would lead to an increase in the GDP per capita annual growth rate of 0.3 per cent.¹²⁰ If full convergence occurred by 2030, the increase would be 0.6 per cent per year.

Specific national studies support these conclusions. In 2010, the National Centre for Social and Economic Modelling (NATSEM) in Australia estimated that the country's 17 per cent GPG costs its economy 8.5 per cent of GDP, representing 93 billion Australian dollars each year. The same study argued that the Australian economy would grow by 0.5 per cent of GDP (5.5 billion Australian dollars) if the gender wage gap was reduced by only 1.0 per cent.¹²¹ A United Kingdom study in 2006 found that a combination of factors, such as job segregation between the sexes, lack of part-time roles in senior posts and hidden pay discrimination, contributed to an avoidable loss of between 1.3 and 2.0 per cent of GDP (15 and 23 billion pounds sterling) each year.¹²² Even more optimistically, a study produced in 2009 by Umeå University¹²³ calculates that 'on average, EU GDP would increase by almost 30 per cent if women worked on the same terms as men' (i. e. assuming female activity rate becomes equal to that of men, that women's part-time work declines to the level of men's in each respective country, and that women's wages become equal to that of men in each respective country).

Participation of women in the labour market on equal terms with men has also been analysed for countries outside the EU. In 2013, an IMF Staff discussion note¹²⁴ found that raising the female labour force participation rate to country-specific male levels would, for instance, raise GDP in Egypt by 34 per cent, in the United Arab Emirates by 12 per cent, in Japan by 9 per cent, and in the United States by 5 per cent. Furthermore, regarding the US, according to a 2014 estimate, based on hourly earnings of both full- and part-time workers, women in the United States earn 84 per cent of that of their male counterparts.¹²⁵ Based on this estimate, it would take approximately 40 days, or until the end of February, for women to earn what men had earned by the end of the previous

¹¹⁹ 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.

¹²⁰ <http://www.oecd.org/inclusive-growth/Closing%20the%20Gender%20Gaps.pdf>

¹²¹ http://www.actu.org.au/Images/Dynamic/attachments/6895/NATSEM_percent20factsheet.pdf

¹²² Women and Work Commission, *Shaping a Fairer Future*, February 2006.

¹²³ Åsa Löfström, *Gender equality, economic growth and employment*, Umeå University, 2009

¹²⁴ IMF Staff discussion note, *Women, Work, and the Economy: Macroeconomic Gains from Gender Equity*, September 2013

¹²⁵ <http://www.pewresearch.org/fact-tank/2014/04/08/on-equal-pay-day-everything-you-need-to-know-about-the-gender-pay-gap/>

year. The 16 per cent pay gap today has narrowed from 36 per cent in 1980. The US analysis suggests that the gender pay gap still persists because women are significantly more likely to take career breaks to take care of their family, with interruptions of this kind having an impact on long-term earnings.

European Parliament position in this field

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

The Parliament has also called for a revision of the Council Directive concerning the Framework Agreement on part-time work, with the aim of closing the gender pay gap, and for a proposal on collective redress with the possible inclusion of collective redress against violations of the equal pay principle. The 2015 Commission Work Programme calls again for an evaluation of Directives 97/81/EEC and 99/70/EC on part-time work and fixed term contracts. None of Parliaments requests however have been given a legislative follow-up so far.

- EP resolution of 24 May 2012 on application of the principle of equal pay for male and female workers for equal work or work of equal value (2011/2285(INI)).
Rapporteur: Edit BAUER (EPP Group), FEMM Committee.
Plenary vote: FOR: 482 - AGAINST: 160 - ABSTENTIONS: 35.
- EP resolution of 12 September 2013 further to Question for Oral Answer on the application of the principle of equal pay for male and female workers for equal work or work of equal value (2013/2678(RSP))
Edit BAUER (EPP Group), FEMM Committee.
Plenary vote: FOR: 544 - AGAINST: 34 - ABSTENTIONS: 50.

EXTERNAL RELATIONS

23. Common Security and Defence Policy

Potential efficiency gain: 26 billion euro per year

Key proposition

The efficiency gain from closer cooperation at European level in the area of security and defence policy is thought to range from some 130 billion euro at the high end to at least 26 billion euro per year, on the more cautious estimate used here. If Member States were to operate in a more integrated manner, they would need to spend significantly less than their current collective defence budget of 190 billion euro. A *Cost of Non-Europe Report* was prepared on this subject by the European Added Value Unit ahead of the European Council of 18-19 December 2013.¹²⁶

More detailed analysis

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

An upper figure of 130 billion euro in terms of potential savings in public expenditure this field was calculated in the past by comparing costs in the United States and Europe, and assuming European efficiency levels to be only 10 to 15 per cent of those in the US.¹²⁷ It also assumed a hypothetical single EU defence system, with the same kind of cost structure, operating conditions and budgetary efficiency as those in the US. Such a situation would have resulted in an overall total defence budget in Europe of 62.9 billion euro, rather than the 193 billion euro which was actually spent.

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

¹²⁶ Blanca Ballester, *European Common Security and Defence Policy: Cost of Non-Europe Report*, European Added Value Unit, EPRS, December 2013.

[http://www.europarl.europa.eu/thinktank/en/document.html?reference=IPOL-
JOIN_ET\(2013\)494466](http://www.europarl.europa.eu/thinktank/en/document.html?reference=IPOL-JOIN_ET(2013)494466)

¹²⁷ Unisys, *Intra-Community Transfers of Defence Products*, February 2005.

cautious estimates, efficiency gains of, for example, 10 billion euro in industry or 2.0 billion in standardisation and certification of ammunition.

Other estimates of the cost of non-Europe

There is an increasing literature on this subject. A study by the Istituto Affari Internazionali¹²⁸ 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 Stiftung¹²⁹ argues that there is potential for significant economic gains from having smaller, consolidated land forces: the potential saving for the Member States would be some 6.5 billion euro per year.

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

European Parliament position in this field

Prior to the European Council devoted in part to EU Common Security and Defence Policy (CSDP) in December 2013, the European Parliament adopted two resolutions on CSDP and the European defence technological and industrial base. The Parliament's position in these resolutions is largely congruent with the conclusions of December 2013 Council, but more ambitious. Overall, the Parliament has drawn attention to the changing global strategic landscape and to reduced defence budgets, as accelerated by the economic and financial crisis. It has urged Member States to reinforce EU industrial cooperation, by developing and producing efficient military and security capabilities, using the most advanced technologies. Parliament favours a European defence industry strategy which aims at optimising Member State capabilities by coordinating the development, deployment and maintenance of a range of capabilities, installations, equipment and services. The Parliament has called *inter alia* for:

¹²⁸ Istituto Affari Internazionali, *I costi della Non-Europa della Difesa*, 2013.

¹²⁹ 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.

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

- EP resolution of 21 November 2013 on the implementation of the Common Security and Defence Policy (based on the Annual Report from the Council to the European Parliament on the Common Foreign and Security Policy) (2013/2105(INI)).
Rapporteur: Maria Eleni KOPPA (S&D Group), AFET Committee.
Plenary vote: FOR: 421 - AGAINST: 104 - ABSTENTIONS: 80.
- EP resolution of 21 November 2013 on the European Defence Technological and Industrial base (2013/2125(INI)).
Rapporteur: Michael GAHLER (EPP Group), AFET Committee.
Plenary vote: FOR: 451 - AGAINST: 103 - ABSTENTIONS: 67.

European Council position in this field

The European Council of December 2013 concurred on the need to strengthen CSDP and called *inter alia* for the following actions in this field:

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

24. Improved donor coordination in development policy

Potential efficiency gain: 800 million euro per year

Key proposition

Around 800 million euro (around 1.4 per cent of EU development aid) could be saved annually by improving donor coordination, thus reducing 'donor transaction costs',¹³⁰ on the basis of the current system. These savings could then be used to extend aid activities to the benefit of recipient countries (or for any other purpose). They would also help achieve the EU's commitment to increase development assistance to 0.7 per cent of its GNI. Substantially larger savings could be achieved if the three-tier approach to development aid spending were replaced by a coordinated budget.

At the request of the European Parliament's Committee on Development (DEVE), a *Cost of Non-Europe Report* was drawn up by the European Added Value Unit on this subject.¹³¹

More detailed analysis

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

The calculation that up to 800 million euro per year could be saved from improved donor coordination is based on an update of a study undertaken by Bigsten et al. in 2011.¹³² It shows that lack of, or ineffective, donor coordination has consequences in terms of

¹³⁰ 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.

¹³¹ Monika Nogaj, *The Cost of Non-Europe in Development Policy: increasing coordination between EU donors*, European Added Value Unit, EPRS, September 2013. [www.europarl.europa.eu/thinktank/en/document.html?reference=IPOL-JOIN_ET\(2013\)494464](http://www.europarl.europa.eu/thinktank/en/document.html?reference=IPOL-JOIN_ET(2013)494464)

¹³² *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.

transaction costs, uncertainty related to future aid flows and inefficient aid allocation. The effects of better coordination would most directly affect transaction costs. Key elements that contribute to the reduction of such costs are the optimisation of division of labour (by concentrating aid on fewer countries and well-designed activities) and the shifting of aid patterns from projects to budget support (entailing lower administrative costs).

The analysis estimated, firstly, how much could be saved by reducing the number of partner countries for each donor. Reducing the average number of partner countries per donor of 101 by 37 per cent (a standard variation in economics) would reduce annual administrative costs for EU donors by 498 million euro in 2012 prices. Secondly, the potential cost savings were estimated for changing the 'aid modalities', namely by shifting money from projects to programmes (which have fewer administrative costs). It was estimated that by increasing the proportion of programme-based approaches (PBAs) to 66 per cent (the Paris Declaration target), the administrative costs related to aid delivery would be reduced by 21 per cent, representing an annual cost saving of 306 million euro at 2012 prices. Thus, total savings in transaction costs resulting from concentration on fewer countries and activities for the EU 27 and the Commission would be about 800 million euro per year. This is equivalent to about 1.4 per cent of total European development aid.

Other estimates of the cost of non-Europe

An earlier study by the European Commission sought to identify and measure the costs of ineffective and fragmented aid and potential savings in transaction costs.¹³³ It looked at the costs of donor proliferation, fragmentation of aid programmes, tied aid, and volatility and lack of predictability in aid flows, as well as shortcomings in the donors' use of country public procurement systems. It suggested that annual savings could be in the range of 3.0 to 6.0 billion euro. The study did not provide a firm assessment of total savings in transaction costs. However, if the potential savings from reduction in fragmentation at country and sector levels and in activities (through a better division of labour) are added together, a figure of at least 770 million euro of savings per year is obtained.

European Parliament position in this field

The European Parliament has called on the EU and its Member States to honour their commitments under the Paris Declaration, the Accra Agenda for Action and the Busan Global Partnership for Effective Development Cooperation, the main obstacles to which are lack of political will, bureaucracy and high transaction costs. The Parliament stressed in its resolution on the subject that, by pooling the resources provided by donor countries, multilateral development organisations have the potential to increase aid effectiveness and maximise efficiency. The EP called on the EU and its Member States to fully exploit the legal provisions of the TFEU on development that call for complementarity between the EU and its Member States in development cooperation.

¹³³ Bjorn Tore Carlsson, Carlos Buhigas Schubert and Sarah Robinson, [Aid Effectiveness Agenda: Benefits of a European Approach](#), European Commission, 2009.

The Parliament requests a proposal for a legal act concerning the regulatory aspects of EU donor coordination in development aid, following the adoption and implementation of a road-map of preparatory action, to cover, joint programming and division of labour at country level.

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

European Council position in this field

In its conclusions of June 2010, the European Council stated that the European Union should make more effective use of development resources. In several of its conclusions over the period 2010-2015, the European Council has called on the EU and its Member States to respect the formal undertaking to collectively commit to 0.7% of GNI to official development assistance by 2015, target which at this time has not been reached.

25. Transatlantic Trade Agreement (TTIP)

Potential efficiency gain: 68 billion euro per year

Key proposition

Based on a CEPR study in 2013,¹³⁴ the European Commission has estimated that the EU economy could potentially be boosted by somewhere between 68 and 119 billion euro annually, depending on the degree of market liberalisation envisaged, from the successful conclusion of a Transatlantic trade agreement on acceptable terms.

More detailed analysis

There could be significant potential gains for the European economy from the successful conclusion of the Transatlantic Trade and Investment Partnership (TTIP) agreement currently being negotiated between the European Union and the United States. Potential gains would stem from the reduction of tariffs, elimination of non-tariff barriers (NTBs) to trade in goods and in services, and from the opening up of public procurement. Direct and indirect spill-over effects - the improvement of trade possibilities for third countries with the EU and US, either automatically or because third countries purposefully adopt the regulatory standards of the EU and US - could also bring significant gains.

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

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

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

¹³⁴ 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.

It estimated that, under a comprehensive agreement, EU GDP could increase by between 60 and 120 billion euro, and US GDP by between 49.5 and 94.9 billion euro, depending on how ambitious liberalisation of trade and investment turned out to be. EU exports of goods and services to the US would go up by 28 per cent, equivalent to an additional 187 billion euro. Overall, total exports would increase by 6.0 per cent in the EU and 8.0 per cent in the US. This study was analysed by the Parliament in a detailed appraisal of the Commission's impact assessment.¹³⁵

Other estimates of the cost of non-Europe

An earlier 2009 Ecorys study estimated that eliminating half of the NTBs caused by regulatory divergence could increase EU GDP by 0.7 per cent by 2018, compared to the baseline scenario of 'no action'.¹³⁶ This would represent an annual potential gain of 122 billion euro. The Ecorys survey acted as a basis not only for the 2013 CEPR study, but also for a group of related studies, focussed on individual EU member states - namely, for namely Austria¹³⁷ (FIW, 2013), Sweden¹³⁸ (Kommers-kollegium, 2013), the Netherlands¹³⁹ (Ecorys, 2012) and the United Kingdom¹⁴⁰ (CEPR, 2013). Ireland commissioned a study from Copenhagen Economics, published in June 2014, which predicted a GDP increase of 1.1 per cent and a 2.7 per cent increase in exports.¹⁴¹ All studies indicate positive national income effects for both parties of the agreement and confirm that most of the likely gains would be attributable to the lowering of NTBs for goods.

A Bertelsmann Stiftung study, *TTIP and the 50 States*,¹⁴² also based on the CEPR's work, suggests that TTIP has the potential to increase transatlantic trade and investment flows substantially and to create as many as 750,000 new jobs in the US alone. Moreover, by lowering the costs of trade and driving job growth in a range of industries, US households are estimated to gain approximately 865 dollars annually, while their European counterparts would gain the equivalent of 526 euro.

A second group of studies introduces new methodologies and quantifications on NTBs. A CEPII study,¹⁴³ also published in 2013, suggests that trade in goods and services between

¹³⁵ Jacques Pelkmans, Arjan Lejour, Lorna Schrefler, Federica Mustilli and Jacopo Timini (CEPS), [EU-US Transatlantic Trade and Investment Partnership](#), Detailed Appraisal commissioned by the European Parliamentary Research Service's Ex-Ante Impact Assessment Unit, April 2014.

¹³⁶ ECORYS, [Non-tariff measures in EU-US trade and investment - an economic analysis](#), ECORYS Nederland, 2009.

¹³⁷ Francois, J. and O. Pindyuk, [Modelling the Effects of Free Trade Agreements between the EU and Canada, USA and Moldova/Georgia/Armenia on the Austrian Economy: Model Simulations for Trade Policy Analysis](#), FIW-Research Reports 2012/13, No 3, January 2013.

¹³⁸ Kommerskollegium, [Potential Effects from an EU-US Free Trade Agreement - Sweden in Focus](#), Report, 2013.

¹³⁹ Ecorys, [Study on "EU-US High Level Working Group" - Final Report](#), Report to the Dutch Ministry of Economic Affairs, Agriculture and Innovation, October 2012.

¹⁴⁰ CEPR, [Estimating the Economic Impact on the UK of a Transatlantic Trade and Investment Partnership \(TTIP\) Agreement between the European Union and the United States](#), Final Project Report, 2013.

¹⁴¹ Copenhagen Economics, [An economic study on the impact of the EU-US Trade Agreement on Ireland, 2014](#) - an unpublished report, foreshadowed in a government press release.

¹⁴² Atlantic Council, Bertelsmann Foundation and the British Embassy to US, [TTIP and the Fifty States: Jobs and Growth from Coast to Coast](#), September 2013.

¹⁴³ CEPII, [Transatlantic Trade: Whither partnership; which economic consequences?](#), September 2013.

the EU and the US would increase by approximately 50 per cent on average, including a rise of 150 per cent in agricultural products. 80 per cent of the expected trade expansion would stem from lowered NTBs. There could therefore be an annual increase in national income of 98 billion dollars for the EU and 64 billion dollars for the US.

Finally, a further, 'outlier', study by the Bertelsmann Stiftung¹⁴⁴ estimates that the TTIP has the potential to obtain the rather greater GDP increment for the US of some 13 per cent and some 5.0 per cent for the EU, based on assumptions derived from observing trade flows and how they increased in previous agreements.

European Parliament position in this field

In a resolution of May 2013, European Parliament reiterated its support for a deep and comprehensive trade and investment agreement with the US and endorsed the European Commission in starting negotiations to that end. The Parliament emphasised the sensitivity of certain fields of negotiation, such as the agricultural sector, where attitudes towards Genetically Modified Organisms (GMOs), cloning and consumer health tend to diverge between the US and the EU. It also underlined that the agreement must not undermine the fundamental values of either side, for example the precautionary principle in the EU. Members also called on the US to lift its import ban on EU beef products, as a trust-building measure.

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

European Council position in this field

The European Council adopted, on 14 June 2013, the mandate for the negotiations, which states that any agreement shall be ambitious, comprehensive, balanced, and fully consistent with, but going beyond, World Trade Organisation (WTO) rules and obligations, providing for reciprocal liberalisation of trade in goods and services, as well as rules on trade related issues. It should be composed of three key elements: market access, regulatory convergence (including NTBs), and trade rules addressing shared global challenges. So far, eight rounds of EU-US negotiations have taken place, with a ninth due in April 2015.

The 'Strategic Agenda for the Union in Times of Change', the European Council's five-year plan, adopted in June 2014, reiterates the importance for the EU of engaging with global strategic partners, in particular transatlantic partners. As well as cyber security, human rights, conflict prevention, non-proliferation and crisis management, international trade is mentioned among issues to be given particular priority.

¹⁴⁴ G. Felbermayr, B. Heid and S. Lehwald, [Transatlantic Trade and Investment Partnership \(TTIP\): Who benefits from a free trade deal? Part 1: Macroeconomic Effects](#), Bertelsmann Stiftung, 2013.

Synoptic table of the Cost on Non-Europe by policy area (in billion euro per year)

Policy area		Initial calculation	Subsequent calculation	Latest calculation
		March 14	July 14	April 15
<i>Current work: Policy areas where potential efficiency gains have so far been assessed</i>				
1	Digital Single Market	260	340	415
2	Delivering and completing existing Single Market for consumers and citizens	235	300	615
3	Completing reform of financial services sector	60	60	82
4	Single European Transport and Tourism Areas	2.5	5.5	11
5	Codification of passenger rights	-	0.09	0.355
6	Company law on cross-border transfer of company seats	0.2	0.2	0.04
7	Banking Union and banking regulation to avert a new financial crisis	35	35	21
8	Improved coordination of fiscal policies	31	31	7
9	Common deposit guarantee scheme	30	30	5
10	Common unemployment insurance scheme for the euro area	15	15	17
11	Combatting VAT fraud	7	9	9
12	Integrated energy markets in Europe	50	50	250
13	Water legislation	-	-	25
14	European Research Area	1	9	22
15	Combatting violence against women	7	7	7
16	EU codification of private international law	0.1	0.1	0.1
21	Information and consultation of workers	3	3	3
22	Equal pay for equal work	13	13	13
23	Common Security and Defence Policy (CSDP)	26	26	26
24	Improved EU donor coordination in development policy	0.8	0.8	0.8
25	Transatlantic Trade Agreement (TTIP)	60	60	68
<i>Future work: Policy areas where potential efficiency gains are still to be assessed</i>				
17	Cross-border voluntary activity within EU		0.065	0.065
18	Improved operation of European Arrest Warrant	-	0.04	0.043
19	European mutual society		-	-
20	EU law of administrative procedure		-	-
	Total:	836.6	994.8	1,597.4

This study brings together work in progress on a long-term project to identify and analyse the 'cost of non-Europe' in a number of policy fields. This concept, first pioneered by the European Parliament in the 1980s, is used here to quantify the potential efficiency gains in today's European economy from pursuing a series of policy initiatives recently advocated by Parliament - from a wider and deeper digital single market to better coordinated national and European policies for defence and development. The benefits may be measured principally in additional GDP generated or a more rational use of public resources. The latest analysis suggests that the European economy could be boosted by almost 1.6 trillion euro per year - or 12 per cent of EU-28 GDP (2014) - by such measures over time. The study is intended as a contribution to the on-going discussion about the European Union's policy priorities over the current five-year institutional cycle, from 2014 to 2019.

This is a publication of the Directorate for Impact Assessment and European Added Value
EPRS | European Parliamentary Research Service
European Parliament



PE 536.364

ISBN: 978-92-823-6264-8

DOI: 10.2861/445576

CAT: QA-06-14-150-EN-C