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**COMMUNICATION FROM THE COMMISSION  
TO THE EUROPEAN PARLIAMENT AND THE COUNCIL**

**on reduction of the response burden, simplification and priority-setting  
in the field of Community statistics**

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**1. INTRODUCTION**

The March 2005 Communication on "Better Regulation for Growth and Jobs" (COM(2005) 97) identified simplification as a priority for the EU. This is the response to the European Parliament's and Council's request to simplify and enhance the quality of EU legislation. It is fully embedded in the refocusing of the Lisbon strategy on growth and jobs. The EU's better regulation policy aims to design regulations better in order to increase the benefits for citizens, to minimise costs in line with the proportionality and subsidiarity principles and to reduce the administrative burden on businesses, in particular on small and medium-sized enterprises (SMEs).

In the domain of producing national and Community official statistics as well, political bodies at all levels (local, national and European) have for some time been calling for simplification of requirements. Business associations have also repeatedly stressed that they want to see the burden of statistics lightened.

The Commission (Eurostat) is fully aware of this debate and has been considering how best it can help easing the problem from the angle of costs and burden derived from Community statistics. On 25 May 2005 the Commission adopted a Communication to the European Parliament and to the Council on the independence, integrity and accountability of the national and Community statistical authorities<sup>1</sup>, which was welcomed by the Ecofin Council on 7 June 2005. It included a Recommendation by the Commission to the Member States to ensure compliance with the 15 principles in the European Statistics Code of Practice adopted unanimously by the Statistical Programme Committee on 24 February 2005. The response burden issue is addressed by several of the principles in the Code.

Furthermore, the Commission again referred to the need for simplification in the field of statistics in its Communication to the European Parliament and the Council on "Implementing the Community Lisbon Programme: A strategy for the simplification of the regulatory environment" of 25 October 2005<sup>2</sup>. More specifically, structural business statistics and Intrastat statistics have been clearly included in the simplification rolling programme annexed to this Communication covering the years 2005-2008.

The Council conclusions of 8 November 2005 also acknowledged that the reduction of statistics and data collection deserves attention, taking particular account of the special needs and limited resources of SMEs.

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<sup>1</sup> COM(2005) 217.

<sup>2</sup> COM(2005) 535.

At Community level, the objective of reduction of the response burden and simplification is pursued in an effort to continue to provide high quality statistics. In particular, within the framework of the Better Regulation initiative, attention is paid to the need for information to quantify the effects and impacts of political measures. Action is currently focusing on four pillars: screening Community legislation on statistics, whether already adopted or in preparation, case by case; harnessing trends in IT technology; seizing the opportunities opened up by the increasing importance of European aggregates as opposed to national indicators; and exploiting all potential offered by administrative sources to replace statistical surveys. However, these measures need to be further developed. This Communication therefore sets out a strategic approach to continue reducing the statistical burden on enterprises. It is based on two main lines of action: **simplification** and **priority-setting**. Both will be supported by an **improved planning process** involving closer collaboration with the Member States.

This Communication is presented simultaneously with the overall Communication "A strategic review of Better Regulation in the EU" as a concrete example of how the Commission intends to bring its commitments to reality.

## **2. SIMPLIFICATION**

The response burden on enterprises could be reduced through a combination of two elements: firstly, simplification of the requirements for statistics in selected priority areas and, secondly, promotion of statistical tools and methods which will make it easier to meet statistical obligations.

### **2.1. Priority areas for simplification**

Action is under way in a number of areas already suggested for simplification and will be further developed in the short term.

#### *2.1.1. Intrastat*

Throughout its existence (since 1993) big efforts have been made to reduce the burden placed on businesses by the data collection system for Community statistics relating to trade in goods between Member States (Intrastat). Thresholds have been set to exempt a large number of enterprises, the number of nomenclature headings has been reduced, some data have been made optional, and simplified reporting for complex products has been introduced.

Further simplification along similar lines will continue, and will lead in the short term to further reductions in the burden imposed by Intrastat. However, in the medium to long term, this is not expected to lead to a further major reduction in the burden on respondents. The Commission will therefore propose switching to a single flow reporting system in the medium term. Currently, statistics on trade between EU Member States are produced using a system in which each country is reporting on both import and export flows. Each flow is thus reported twice. In the single flow reporting system, the statistics on this flow would be collected only in one country.

While this could cut Intrastat declarations by more than 50% (in the case of reporting on the dispatch side), introduction of a single flow system is by no means straightforward, as big differences still exist between Member States in mirroring trade flows due to differences in

data collection and processing. Therefore, it is essential that single flow reporting should be phased in over a certain period of time and be accompanied by the measures necessary to guarantee acceptable data quality. To this end, the Commission will undertake a comprehensive analysis of the impact of introduction of single flow reporting. The measures to be taken to sustain data quality will be studied. Furthermore, Member States will be encouraged to perform similar studies at national level. These two types of studies will lead to clear recommendations on how to implement the single flow system in close cooperation between Eurostat and the Member States.

Before a single flow reporting system can be adopted, a number of issues need to be tackled. These include determining a core data set, harmonising data collection and processing systems, and exchanging data between Member States. Other points which will also have to be examined are how to make better use of administrative data, how to reduce misclassifications, and how to deal with issues of confidentiality.

In order to deal with these and other issues, a detailed action plan will be prepared for discussion with the Member States.

- **The Commission will propose a twin-track approach, in which further simplification along traditional lines in the short term is complemented by a single flow system for Intrastat for entry into force in 2010.**

#### 2.1.2. *Structural business statistics*

In February 2006 the Commission proposed recasting the regulation concerning structural business statistics (SBS)<sup>3</sup>. The proposal aims to keep this important statistic up-to-date with new policy needs through improvements in the productivity variables and at equal coverage of both the services and manufacturing sectors. All these issues lie at the very heart of the Lisbon Strategy and of the completion of the Internal Market. While doing so, the SBS recast also aims to keep burden upon enterprises as light as possible by deleting several mandatory variables, by moving other variables from annual to multi-annual collection, and by deleting the optional variables. Use of register data was recommended in a number of new areas.

The SBS recast is an example of the kind of tools which could be used to achieve simplification:

- The SBS recast introduces the possibility for countries just to **contribute to the European totals** without being forced to provide the figure plus all the details. This is not a fully European approach, but it is a step in that direction and will reduce the burden substantially.
- **Use of administrative data** will also reduce the burden on businesses. The SBS recast takes this up in new areas. Data collection on business demography (a new area in the recast) will be purely register-based and will therefore put no burden at all on businesses.

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<sup>3</sup> COM(2006) 66.

### 2.1.3. *Statistics on production of manufactured goods (Prodcom)*

A number of steps have been taken to minimise the burden placed on industry by the regulation on the Community survey of industrial production<sup>4</sup>:

- In 2005 the list of products (Prodcom list) was simplified to remove headings that were poorly reported and that enterprises found it difficult to report on. The requirement to report textile production every quarter was dropped.
- In 2006 the requirement to report steel production on a monthly basis was dropped.
- Member States are currently being consulted on dropping industrial services and intermediate products from the 2007 list.

The potential decrease in the burden as a result of the measures taken is significant: for instance, the 2005 simplification reduced the number of headings in the Prodcom list from 5 800 to 4 500, and the requirement to report every quarter on textile production used to impose a disproportionate burden on respondents.

### 2.1.4. *Re-engineering business statistics*

Each area of business statistics should not be looked at in isolation. Statistics on several other areas are needed to give a complete picture of the economy based on surveys of enterprises. In addition, there are interlinkages between areas of statistics. For example, SBS are one of the most important sources for national accounts. Consequently, even deletion of requirements in SBS might have no effect, because the data would still be collected by countries to satisfy the needs of their national accounts.

The Commission is convinced that even more needs to be done and is therefore developing a programme for re-engineering business statistics. This re-engineering will include a number of measures to support Member States with developing methods which have the potential substantially to reduce the burden on businesses, such as more intensive use of administrative data for statistical purposes, automatic electronic transmission of statistical information directly from company accounts, development and harmonisation of estimation techniques, and better integration of the sets of micro-data that would enable Member States to make more efficient use of existing information and therefore reduce the burden on businesses. Later this autumn the Commission will make a proposal on modernisation of business and trade statistics, which will include action on methods for reducing the burden. This proposal will be in the form of a multiannual programme for the period 2008-2013 to be implemented in close cooperation between Eurostat and the Member States.

- **The Commission is developing a programme for re-engineering business statistics that will focus on reducing the burden on businesses by means of a smarter way of collecting data.**

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<sup>4</sup> Council Regulation (EEC) No 3924/91 of 19 December 1991.

### 2.1.5. *Agricultural statistics*

On 24 February 2005 the Statistical Programme Committee endorsed Eurostat's proposals on the future of the European agricultural statistics, aiming at substantial simplification and streamlining. These proposals are currently being implemented:

- Several balance sheets have been discontinued and a number of other national balance sheets have been made optional.
- Collection of monthly absolute prices has been discontinued. For annual absolute prices the list of products has been halved. A change from monthly to quarterly price indices has been introduced from 2006 onwards.
- Only two intermediate farm structure surveys are proposed for the next decade instead of three.
- The legislation on surveys on livestock and animal production will be reviewed.
- The legislation concerning statistics on cereals and other crops shall be reviewed.
- Integration of economic forestry accounts with environmental accounts has been completed.
- The programme for surveys on orchards and vineyards will be revised in line with the reform of these two common market organisations.
- A new common system for collecting and validating agricultural statistics will be implemented before the end of 2007. It will considerably improve the quality of the data and make it possible to reduce the costs and response burden.

These significant efforts currently under way to simplify and reduce the burden of the agricultural statistical system should help to meet the needs arising out of the integration of new policy concerns into the Common Agricultural Policy (rural development, the environment and food safety).

- **The Commission will actively pursue simplification of the European system of agricultural statistics and strive to improve the quality of the statistics.**

## 2.2. **Simplification tools**

### 2.2.1. *European aggregates*

The increasing importance for policy-making of European aggregates as opposed to national indicators also offers opportunities for simplification. In the realm of short-term statistics - of particular importance for monetary policy - it was possible to reduce the obligations (detail, timeliness, frequency) on Member States whose share of the relevant European aggregate was below 1%, at least in most cases. In addition, Eurostat, has proposed introducing a European sampling plan, which would allow a considerable (up to 80%) reduction of overall sample sizes and thus of the overall response burden. Also the SBS recast will give Member States the possibility of contributing only to the European total at the most detailed level of the breakdown of activity. Eurostat is also promoting the idea of conducting continuous surveys. This technique would lead to a reduction of sample sizes to compile European aggregates,

while allowing the production of national indicators at lower frequency. The Commission will continue to identify areas where the focus is shifting away from national data and towards European aggregates, to develop tools and methods for coordinating samples, and to develop special European surveys when appropriate.

- **The Commission proposal for the Community Statistical Programme for 2008-2012 will promote the use of European samples, in specific cases.**

#### 2.2.2. *Use of administrative data*

The efforts for NSIs and the burden on respondents will obviously be reduced if the relevant information no longer has to be obtained through a specific statistical survey, but can be taken from administrative data recorded for other purposes. Eurostat is aware that for a host of reasons it is more difficult to harmonise administrative data and thus ensure the comparability of statistics derived from them. When it comes to using administrative records, there is simply a trade-off between comparability on the one hand and the cost to NSIs and burden on respondents on the other. Member States have always been allowed to make use of surveys or administrative data or a combination of both. Moreover, Eurostat itself uses (high-frequency) administrative data to extrapolate (low-frequency) survey results. A combination of administrative data for extrapolation supported by regular benchmark surveys or low-frequency surveys is definitely a strategy which will reduce the response burden and cost and will therefore be not only allowed but also more actively pursued by Eurostat.

- **The Commission proposal for the Community Statistical Programme for 2008-2012 will promote use of administrative data for statistical purposes, in specific cases.**

#### 2.2.3. *Use of accounting data*

Direct use of standardised accounting data using electronic tools is another promising way forward. The data are received directly from the enterprise accounts without a special questionnaire. The accounting data can be supplemented by small surveys as in the case of administrative data. The Commission will support Member States by aligning the definitions in the legal acts on those in accounting standards, by developing the necessary electronic tools, and by devising methods for targeted complementary surveys and corresponding estimation techniques.

#### 2.2.4. *A data warehouse approach to business statistics*

Full integration of all data sets at micro level would make it considerably easier to use and reuse the available data. The information would be collected only once and reused for different surveys. This would both reduce the burden and make the data sets more useful. Some Member States have already achieved a considerable degree of integration, but much work is still needed before such systems are fully implemented. The Commission has access to only limited sets of data at micro level which hampers reuse of information at European level. Enterprise groups which are active in several Member States also require integrated data sets at group level to be established at Commission level.

Business registers are the centre of any such system, and full implementation of the new business register regulation is therefore essential. The Commission will also support Member States by developing tools and methods for full integration of data sets.

- **The Commission proposal for the Community Statistical Programme for 2008-2012 will promote the availability and use of micro-data.**
- **Eurostat will support development of a new process for linking existing micro-data in order to allow more efficient use of data.**

#### 2.2.5. *Differentiation of requirements*

Differentiation of requirements depending on the weight of countries in the statistical aggregates could significantly reduce the burden on enterprises and the costs for some national authorities and, at the same time, improve the timeliness of EU aggregates. It should be used to a larger extent.

#### 2.2.6. *Use of IT technology and methodological innovation*

As a further step in the ongoing work on use of enterprise accounting data for statistical purposes (see section 2.2.3), Eurostat is exploring with Member States the feasibility of applying the XBRL (eXtensible Business Reporting Language) electronic format. As businesses start to adopt XBRL for submission of their accounts, statistical organisations should be able to harvest statistics automatically from the accounting data in XBRL. With this aim, a task force bringing together several national statistical organisations and central banks has been set up and technical development has been started.

Eurostat is also working actively with the United Nations Economic Commission for Europe on improving means of automated collection of raw data from enterprises.

Eurostat is also sponsoring, together with other international organisations, development and promotion of the Statistical Data and Metadata eXchange format (SDMX), which has the status of an ISO standard. This XML-based standard permits electronic transfers of statistical data and metadata between organisations and to users. SDMX standards will help enterprises to have a return on the information that they provide to statistical authorities.

Methodological research will also be fostered in order to reduce the response burden. This will be promoted through the 7<sup>th</sup> Framework Programme for research (FP7).

- **A proposal for implementation of Statistical Data and Metadata eXchange format (SDMX) in specific statistical domains will be submitted to the Member States during the first half of 2007.**
- **The first call for proposals for research on official statistics within the 7<sup>th</sup> Framework Programme for research (FP7), to be launched in early 2007, will include measurement and reduction of response burden as one possible topic.**

### 3. PRIORITY-SETTING

Better setting of statistical priorities is another fundamental element of the simplification process. Assessing the relevance and usefulness of statistics for EU policies is a critical step in selecting priority areas for simplification.



### 3.1. Putting the principles into practice

In line with the relevant principles of the Code of Practice, the Communication of 25 May 2005 defined three high-level guiding principles for setting statistical priorities:

- The first relates to **users' needs and the benefits of European statistics** - mainly from their relevance for policy-making at European level.
- The second relates to **assessment of costs** incurred by Member States, respondents and the European Commission for production of Community statistics.
- The third category covers "**specific issues**" of importance for the cost-effectiveness of official statistics, including the trade-off between different components of statistical quality (for instance, "accuracy" or "detail" versus "timeliness"), and possibilities for flexible reporting obligations focusing on core European needs.

On the basis of these principles, a combined qualitative and quantitative method for assessing cost-effectiveness has been developed, in cooperation with the statistical authorities of the Member States, and tested for selected areas (transport and foreign affiliates statistics), in cooperation with the competent national authorities and statistics users at Community level. The method, developed using the same principles and methodology employed in other such schemes (EU net cost model or standard cost model in some Member States), and the results of the tests have been evaluated positively with the national statistical authorities.

The Commission (Eurostat) and the national statistical authorities of the Member States which assume joint ownership of the method have agreed to improve it continuously to strike the best balance between the needs for, on the one hand, simplicity and manageability of analyses and, on the other, detail and accuracy in fine-tuning cost-efficient requirements.

### 3.2. Putting the method into action

As recommended by the Council on 8 November 2005, the method is incorporated into the forthcoming proposal from the Commission on the multi-annual statistical programme for 2008-2012. It will serve as a common tool for structured, systematic and transparent analyses to support policy choices. The method ensures the active involvement of the competent national authorities in assessment of the total costs for Member States and respondents in line with the principles of the EU net administrative cost model and for the Commission. It also ensures active involvement of users of statistics in assessment of the benefits of the statistics, especially the relevance and usefulness for EU policies. In this respect, particular attention should be paid to areas where the Community has exclusive competence compared to those areas where this competence is shared.

Supporting the production of (national and) Community statistics accounts for only a small share of the overall administrative burden that falls upon enterprises, and in particular upon SMEs. But the burden is perceived as much heavier. From the Community level, the Commission continues to explore ways to contribute to the overall effort to lighten that burden. Consequently, the proposal is to apply the method on a continuous basis to:

- i) new statistical activities which have significant resource implications for respondents, and
- ii) existing requirements for statistics,

thereby gradually making the statistical programme more balanced. In view of the network organisation of the European statistical system and the fact that it functions on the basis of subsidiarity, this could, however, be carried out only at the cost of major investment by the Member States. In particular, they will have to provide reliable data concerning the cost directly related to the Community's needs for production of statistics.

- **All new statistical projects likely to impose a significant additional burden on the data providers, in particular enterprises, will be subject to a cost-benefit analysis before they are implemented.**
- **All the fields covered by the next multi-annual statistical programme (2008-2012) will be subject to a cost-benefit analysis before the end of the programme.**

#### 4. THE PLANNING PROCESS

The process leading to definition of the Commission's statistical programmes is being adjusted to foster more objectives which will reduce costs for Member States and respondents. The programme will now include planning reviews of existing areas, and greater emphasis will be put on the issue of prioritisation in the annual discussions with users. In this context, in addition to the permanent dialogue with Commission users, special attention will be paid to involving the reformed European Advisory Committee on Statistical Information in the Economic and Social Spheres (CEIES)<sup>5</sup>, which should assist the Council, the European Parliament and the Commission by ensuring that users' requirements and the costs borne by the information providers and producers are taken into account in coordinating the strategic objectives and priorities of the Community's statistical information policy.

Beyond that, the current discussions with the Member States on revision of the basic legal framework for Community statistics (in particular Council Regulation (EC) No 322/97 of 17 February 1997 on Community statistics<sup>6</sup>) are an opportunity to explore ways of involving NSIs ever more closely in the content of the statistical programmes.

- **A proposal for reform of the CEIES was adopted by the Commission on 3 November 2006.**
- **Ways to involve NSIs more closely in the content of the Commission's statistical programmes will be addressed in the revision of the basic legal framework for Community statistics.**

#### 5. CONCLUSION

Efficient economic governance and policy-making in the European Union, at both national and community levels, need high-quality statistics. This is compatible with continued adherence to the principles of Better regulation as a whole, including simplification, that is also one key element of the new Partnership for Growth and Jobs launched in 2005.

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<sup>5</sup> COM(2006) 653.

<sup>6</sup> OJ L 52, 22.2.1997, p. 1.

The actions presented by the Commission in this Communication respond to this overall strategy aimed at improving the regulatory and administrative environment and strengthening competitiveness at both European and national levels.

In the case of statistics, the Commission acknowledges the need to ensure that Community statistics keep pace with new policy needs while reducing requirements wherever they may have become of decreasing or little policy relevance. The Commission is committed to systematic assessment of the cost-effectiveness of new and existing requirements based on the high-level guiding principles. The effects and consequences of all new legislative proposals will continue to be systematically evaluated, and the national statistical institutes will be informed of the results. On all these issues, the Commission is looking forward to working closely with the Member States and with final users of Community statistics whose commitment will ensure that its ambitions in this area can be realised.

The effort to balance requirements and resources is not a one-off exercise. Continuous efforts are needed together with a set of instruments which will be employed in a strategic context reflecting the greater efficiency and effectiveness of the European statistical system as a whole in improved statistics to serve European Union policies. Actions and tools presented in this Communication are embedded in the forthcoming multi-annual Community statistical programme.

Considering the need for a joint commitment to priority-setting, simplification and reduction of the response burden in the field of Community statistics, the Commission invites the European Parliament and the Council to endorse the action proposed and support, in the future, the different initiatives that will bring it to reality.