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COMMISSION STAFF WORKING DOCUMENT

IMPACT ASSESSMENT

accompanying document to the

Proposal for a Regulation (EU) of the European Parliament and of the Council No xx/yy on the professional cross-border transportation of euro cash by road between euro-area Member States

and the

Proposal for a Council Regulation (EU) No zz/yy concerning the extension of the scope of Regulation (EU) of the European Parliament and of the Council No xx/yy concerning the professional cross-border transportation of euro cash by road between euro-area Member States

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VOLUME I

This report commits only the Commission services involved in its preparation and does not prejudge the final form of any decision to be taken by the Commission.

Lead service: Directorate-General for Economic and Financial Affairs

Other involved services: DGs EMPL, ENTR, JLS, MARKT, OLAF, TREN, LS and SG.

Agenda planning: 2009/ECFIN/040

MODIFICATIONS FOLLOWING THE OPINION OF THE IMPACT ASSESSMENT BOARD

A draft of this impact assessment (IA) was submitted to the Impact Assessment Board and discussed at its meeting of 24 March 2010. In its opinion dated 26 March 2010, the Board suggested some improvements of the draft IA-report.

In its overall assessment, the Board considered that the report provided the necessary evidence base to underpin action in this area, while this evidence also suggested that the overall scale of the problem was limited. The Board notably recommended that the IA-report should present a more realistic picture of the scale of the problems and of the potential benefits. It also suggested that the report should provide a fuller assessment of why bilateral agreements between Member States are not considered a realistic option and present more fully the views of the stakeholders, in particular the social partners. It furthermore suggested that the report should analyse in greater detail the likely use by CIT-companies of the proposed system as well as issues related to implementation and enforceability.

In order to take into account the recommendations of the Board a number of changes has been made to the IA-report. These concern notably a more detailed assessment of the option of bilateral/multilateral agreements between Member States and a fuller presentation of the possibilities for cost-savings and better service in border regions that the proposed rules would offer to CIT-companies and their customers. The objectives of the proposal have furthermore been made more operational and related to specific indicators. The views of the social partners are presented more fully and the report also gives a more detailed presentation of the salary differences between euro-area Member States as well as an analysis of the potential social impact if countries outside the euro area would be covered by the provisions of the future Regulation. The relation between the proposal and other relevant EU legislation, notably the Directive on the posting of workers, has also been further clarified in the report together with the rationale for specific derogations from and restrictions to the scope of the common rules. Finally, the reports include a fuller presentation of administrative burden, monitoring, evaluation and enforcement of the common rules.

1. PROCEDURAL ISSUES AND CONSULTATION OF INTERESTED PARTIES

1.1. Background/Introduction

The physical euro was introduced in 2002, but due to strong differences between national legislations it is in practice very difficult for professional cash transporters to transport euro cash between euro-area Member States. Regulatory differences concern a wide range of issues such as the possession and carrying of firearms by the cash-in-transit (CIT) staff, authorised transport modalities, armouring and equipment of the CIT-vehicles, number of staff in the vehicles etc. It is, however, inherent in the logic of the single currency that euro banknotes and coins should be able to circulate and be transported as freely as possible within the euro area. The current regulatory obstacles moreover imply a fragmentation of the single market in this sector.

The Commission launched a first initiative to facilitate the professional transport of euro cash by road in the run-up to the euro cash changeover in 2002 and a working group with representations of the European federations of stakeholders was set up to discuss the scope and details of a possible EU legislative initiative in this area. Due to other pressing Commission priorities and a constraint of resources to pursue these efforts, the initiative was, however, suspended in 2004.

In order to facilitate the free circulation of euro cash the European central bank has meanwhile adopted a Roadmap for more convergence of National Central Bank (NCB) cash services which, inter alia, enables so-called remote access to NCB cash services, whereby a credit institution in one participating Member State may use the cash services of a NCB in another participating Member State. That measure was implemented in June 2007 but its potential cannot be fully exploited until the regulatory barriers for cross-border transports have been lifted. There will be no single euro cash area as long as there are severe restrictions for the provision of whole-sale or retail cash services across the borders within the euro area.

The European Central Bank, the banking sector and the large retail sector have repeatedly called for the launch of an initiative aimed at lifting the obstacles to the professional cross-border transportation by road of euro cash in Europe. The case for such an initiative is furthermore reinforced by the past and future enlargement of the euro area.

Against this background, the Commission therefore initiated consultations in May 2008 with a view to relaunch the work to remove existing regulatory barriers to cross-border transportation of euro cash by road and thereby facilitate the free circulation of the euro.

1.2. Consultation and expertise

1.2.1. Consultation of other Commission services

An inter-service steering group composed of representatives of the Directorate-Generals concerned[1] was set up and held its first meeting in June 2008. The group met in advance of the meetings of the Working Group with stakeholders and of the Expert Group with Member States' administrations (see below) and provided valuable input during all stages of the consultations. The last meeting of the steering group was held on 9 February 2010 to examine a first full draft of the impact assessment (IA) report. The draft IA-report was revised following the comments made by group. In total, the inter-service steering group met five times.

1.2.2. Consultation of stakeholders in the sector

As a first step and in order to build on the expertise and input of all interested parties in the sector, a *Working Group on cross-border transportation of euro cash by road* chaired by the Commission and consisting of the European organisations of all the major stake holders[2] was set up.

The Working Group held three full-day meetings in 2008 and discussed all key issues, such as the reasons for action at EU level, the various legal possibilities of facilitating cross-border cash transport, scope of possible future common rules, the differences between national legislations and possibilities of harmonised cross-border rules in the relevant areas. These concern, inter alia, authorised transport modalities, the possession and carrying of firearms by the cash-in-transit (CIT) staff, training requirements, armouring and equipment of the CIT-vehicles, the use of intelligent banknote neutralisation systems (IBNS), number of staff in the CIT-vehicles, information towards the police, licence rules and penalties.

1.2.3. The White Paper

On the basis of the above-mentioned consultations with stakeholders, the Commission adopted a White Paper on professional cross-border transportation of euro cash by road between Member States in the euro area[3] on 18 May 2009. The White Paper launched a broad-based consultation process on a set of envisaged common rules for the cross-border transportation of euro cash by road between Member States in the euro area. All interested parties were invited to submit their comments to the paper by

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[1] DG Employment, Social Affairs and Equal Opportunities; DG Justice, Freedom and Security; DG Internal Market and services; the European Anti-Fraud Office; the Secretariat-General (as from the fourth meeting) and DG Energy and Transport (DG Enterprise and Industry declined the invitation but received all invitations and documentation). Informal ad hoc contacts have been maintained constantly with the Legal Service (LS), which was invited to the last meeting of the Inter-Service Steering Group on 9 February 2010.

[2] The following organisations were represented: CEA (European insurance and reinsurance federation), CoESS (Confederation of European Security Services), EBF (European Banking Federation), the Eurosystem, EPC (European Payments Council), ESTA (European Security Transport Association), EURICPA (European Intelligent Cash Protection Association), EuroCommerce, Europol (European Police Office), MDWG (Mint Directors Working Group) and UNI-Europa (Union Network International – Europa).

[3] COM(2009) 214 final.

30 June 2009. A total of 19 contributions were received from the cash-in-transit sector, the banking sector, IBNS[4]-manufacturers, trade unions and public authorities of Member States.

The White Paper and the 14 responses that do not contain sensitive information and which the concerned party agreed to publish are available at the Commission's Europa website at the following address:

http://ec.europa.eu/economy_finance/articles/euro/article15105_en.htm

A list and a summary of the contributions received are included in the Annexes of the present impact assessment (see also section 1.2.6 below).

1.2.4. Consultation of Member States' public administrations

Following the publication of the White Paper, an *Expert Group on professional cross border transportation of euro cash by road between Member States in the euro area* was set up and held four full-day meetings between May and November 2009. The group consisted of representatives from the relevant administrations of euro-area Member States and made a thorough examination of the envisaged common rules annexed to the White Paper. The group achieved a high degree of consensus among Member States at the level of their concerned administrations and contributed significantly to the draft text of the Commission proposal.

1.2.5. Consultation of social partners

The social partners have been consulted all along the preparatory process of the Commission initiative. Representatives of the European social partners in the CIT-sector, i.e. UNI Europa and CoESS (the relevant European organisations of trade unions and the employers respectively), participated in the Working Group on cross border transportation of euro cash by road (see section 1.2.2 above) that held three full-day meetings between July and December 2008. Furthermore the lead service organised an information meeting for UNI Europa and their national members in September 2008. A written questionnaire on the potential social impact of future common rules for cross-border transport of euro cash by road was submitted to UNI Europa and CoESS/ESTA in October 2009. The Commission initiative has also been at the agenda several times in the sectoral social dialogue committee during the process. Finally, the lead service has presented the envisaged common rules and the draft impact assessment to UNI Europa, CoESS and their national members for their comments at a meeting organised by the lead service for this purpose on 19 March 2010. The final minutes of this meeting are included in the annexes of this report.

1.2.6. Main results of the consultations

All stakeholders in the sector acknowledge that the cash-in transit market is currently organised along national lines, due to the differences between national legislations. A distinction should be made between the supply side (i.e. the CIT companies) who has expressed reservations on the necessity to open national markets and the demand side

[4] IBNS : Intelligent Banknote Neutralisation System

(i.e. the banks and retailers) which is very supportive and calls for an ambitious approach.

The employers' representatives in the CIT sector deems the current situation, characterised by a fragmented market, as satisfactory as CIT-companies have organised themselves accordingly, within national borders. Yet they welcome that a full-scale harmonisation of the transport of cash is not envisaged and is furthermore in favour of limiting the scope of common cross-border rules to point-to-point transports only. The employers also stress the importance of avoiding unfair competition on the basis of different wages and other terms and conditions of employment, notably against the background of the high share of wages in the total costs of CIT-companies. On the employee side, the trade unions' main concern is that future EU legislation in this area should not lead to a worsening of social conditions but rather set into motion a movement towards a levelling up of wages and other working conditions. The social partners furthermore agree that the highest of the home vs. the host country salary should apply in a cross-border situation and have asked for this to be foreseen in a future Commission proposal.

The banking sector is very supportive of the initiative, which should lead to shorter and more efficient transport routes, meaning less risk, less costs involved and more competition in the sector.

Intelligent Banknote Neutralization systems (IBNS) manufacturers are supportive too and would like the use of intelligent banknote neutralisation devices to benefit from the initiative as they can help resolving the difficult issue of the carrying of weapons in a cross-border context. Their argument is that the use of "smart devices" to transport cash provides a high degree of security without necessarily involving the use of weapons.

The ECB and the Eurosystem fully support the Commission initiative as it is in line with their strategic goal to achieve a high degree of convergence between National Central Banks' cash services and create a single euro cash area for professional cash handlers. The adopted principle of remote access, for example, (i.e. the fact that a bank should be able to withdraw/lodge euro cash from/to any NCB in the euro area) cannot be implemented as long as there is no easy possibility of transporting cash across borders.

Finally, the consultation of Member States' administrations in the special expert group set up for this purpose showed that they were clearly supportive of the general thrust of the Commission's White Paper. The discussions in the expert group referred to above was, moreover, very concrete and constructive leading to numerous suggestions for changes to the envisaged rules annexed to the White Paper. These included issues such as full respect for national weapons legislation, a clarification that a majority of cash pick-ups/deliveries made by a CIT-vehicle during a day must be carried out abroad, additional authorised transport types, increased possibilities for opting out from specific transport types, elaboration of rules on penalties in case of infringements of the common rules, elaboration of rules on IBNS, the setting-up of a monitoring committee, a review clause, need for a committology procedure to take into account technical developments, extension of the scope to EU Member States outside the euro area etc. This consultation process led to a high degree of consensus on the content of future common rules.

2. DESCRIPTION OF THE MARKET AND PROBLEM DEFINITION

2.1. Short description of the CIT-market

Due to the nature of the goods transported, security is crucial in the CIT-sector. The market is therefore organised around cash centres, which are secured against unauthorised access in terms of both equipment (anti-intrusion systems) and access procedures, where CIT-vehicles can be loaded and unloaded with cash in a secure manner. Cash centres are hubs where 'wholesale' cash is stored and processed (counted/sorted/packaged) for further delivery to final customers or for return to the NCB.

Professional CIT transport services as such can be divided into two main categories: 'Point-to-point' (or 'wholesale') transport services and 'Retail'[5] transport services.

The first category concerns transports of bulk quantities of cash between cash centres that are carried out directly from point to point without any intermediate stops (for example from a NCB branch to a CIT cash centre). These transports do not serve final customers and the quantities are generally high.

The second category ('retail' or 'multi-stop' transport services) concerns delivery and pick-up of cash to/from final customers, notably commercial banks and retailers as well as ATMs (Automated Teller Machines), the latter being located either in the bank branch or elsewhere (so-called 'off-premises' ATMs). The delivery/pick-up is carried out by a CIT-vehicle that is typically servicing a large number of cash points during its shift (around 20-25 stops/day seems to be common). The cash may be protected by IBNS depending on the national regulations and practices. These transports are typically carried out between a CIT cash-centre and the final customers, but in case the NCB has a policy of packaging cash for final customers it may also be carried out between NCB branches and final customers. Some commercial banks have, moreover, their own cash centres where they process cash for final customers. This category of transport services represents the large majority of transports in terms of kilometres driven, hours worked and cash points serviced.

A CIT-vehicle generally returns to its cash centre of origin at the end of the day in order to spend the night in a secure location, although it may stop overnight in another cash centre, notably in the case of point-to-point transports. Due to security reasons, transports are generally carried out during day-time, although point-to-point transports may also be carried out at night depending on the national regulation of the Member State.

It follows from the above that an important feature of the CIT-market is its predominantly local character. The geographical area that can be serviced from a cash center depends on the distance that a CIT-vehicle can drive in a day, which in turn is

5 Such 'retail' transports are often referred to as cabotage. However, strictly speaking, cabotage generally refers to transport operations carried out for hire or reward in a *host* Member State. In this document the term 'retail' transport is used to cover cash deliveries and/or pick-ups to final customers independently of whether they take place in the home country or in the host country.

influenced notably by the number of cash pick-ups/deliveries the vehicle will make (with big differences between rural/urban areas and between 'point-to-point' and 'retail' transports) as well as other factors such as speed limits, working hours etc. Based on these considerations, it seems that the operational radius of a cash center may roughly be estimated to 100 km[6] in the case of 'retail' transport services, although it may be considerably longer in the case of 'point-to-point transports'. This means that the cross-border CIT-market will by definition only concern part of the total CIT-market, limited to border regions between euro-area Member States.

The national cash-in-transit markets are different from each other in various respects. Apart from differences in national regulations on CIT transport operations, the role of the national central bank (NCB) in the cash cycle may vary. In that respect, two dimensions have to be considered: the level of recycling outside the NCB and the involvement of the NCB in the provision of retail cash services for final customers. Recycling activities (i.e. the reissuance to the market of cash previously collected from it) have been transferred from the NCBs to credit institutions and CIT operators, who are entitled to reissue cash to the market under certain conditions (Eurosystem Banknote Recycling Framework and its national transpositions), but the extent of recycling by commercial operators and how it is implemented differ very much from one country to the other. In most countries, it seems to be mainly economic operators, such as CIT-companies and banks, that are in charge of the provision of processing services (counting, sorting, packaging) to final customers, although exceptions remain, such as in Belgium and Germany where the Central Bank provides retail cash services to final customers. Processing services have furthermore increasingly been outsourced by banks to CIT-companies.

Due to competition concerns it has not been possible to collect information from CIT-companies on the turnover of the current market for professional money transport. CIT companies typically report the results of their activities in overall terms covering all activities related to their cash logistics operations. However, in order to provide some indication of the order of magnitude of the market, it can be noted that total sales (i.e. turnover) of CIT companies that are members of ESTA (the European Security Transport Association), which claims to represent 90 % of the CIT-industry, amounted to around 4 billion euro in 2007. These figures cover the 27 EU Member States and four types of CIT services (transport, storage, processing and ATM maintenance). According to the same source, the CIT-sector in the 27 EU Member States furthermore employs around 100 000 persons in total, including all four types of CIT-services as well as administrative staff.

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6 Estimate in the external study by Ramboll Management: 'Potential market for professional cross-border transport of euro cash by road between euro-area Member States' (available at: http://ec.europa.eu/economy_finance/articles/euro/2010-02-26-cross-border-cash_en.htm). This approximate radius is consistent with estimations from the demand side (European Payment Council), whereas the supply side (the European Security Transport Association) has not provided any estimate in this regard.

2.2. Problem definition

The 16 Member States that have so far adopted the euro use the same banknotes and coins. However, due to strong differences between national legislations it is in practice very difficult to transport euro cash by road on a professional basis between euro-area Member States and very little cross-border land transportation therefore takes place. Cross-border transports may in some cases be arranged on the basis of specific authorisations from the Member State of destination, but even disregarding the administrative proceedings involved, this still involves the need to comply with two or more different complex sets of national rules. It is a contradiction in terms that there are border barriers to the professional transport of the single currency within the euro area. On a more concrete level, banks, the large retail sector and other professional cash handlers need to source and deliver their cash in the most efficient manner within this single currency area, also across national borders.

The current obstacles to cross-border cash transport also prevent operators from taking full advantage of the ECB's Roadmap for more convergence of National Central Bank (NCB) cash services and the Single Euro Cash Area for professional cash handlers. One important element of the Roadmap is the so-called Remote access to NCB cash services, whereby a credit institution in one participating Member State may use the cash services of a Central Bank in another participating Member State. That measure was implemented in all euro-area Member States in June 2007 but its potential cannot be fully exploited until the regulatory barriers for cross-border transports have been lifted.

Due to the differences between national regulations, commercial banks, big retailers and other professional cash handlers are thus in practice in most cases prevented from contracting with a cash-in-transit (CIT) company in another Member State, even though it might be able to provide for the most efficient (and shortest) cash pick-up and delivery circuits. They are therefore in practice also generally barred from taking advantage of the cash services of the nearest NCB branch or CIT cash center, if it happens to be located across the border in another Member State. Finally, CIT-companies carrying out transportation in border regions are not able to plan their transport routes and other cash logistics in the most efficient manner, if potential customers are located on both sides of the border. This situation implies a sub-optimal organisation of the cash cycle in such regions and thus also at euro-area level. This, in turn, means a higher cost of cash and/or a lower service level for the customers compared to a situation without national regulatory barriers to cross-border cash transports.

As explained in section 2.1 above, the CIT-market has a local character and the potential cross-border market primarily concerns border regions. The potential geographical market can roughly speaking be estimated to some 100 km on each side of the border for the majority of the transports. This means that in geographically bigger euro-area Member States, such as Germany, Spain, France and Italy, cross-border transports will normally only concern a limited part of their territory. On the other hand, in geographically smaller countries, such as Belgium, Luxembourg and the Netherlands such transports may potentially cover a large part of the national territory. Overall, the potential share of cross-border transports of euro cash may be estimated to around 2.6 % of the total value ordered to CIT-companies[7] in the 11 euro-area countries that currently have land borders to other euro-area countries, with large variations between countries. This would correspond to some 77 000 cross-border transports/year. The relative size of the cross-border market is expected to be considerably higher in Austria, the Netherlands and Belgium (between 6-9 percent), while lower shares are expected in Italy, Spain and Portugal (between 1-1½ percent of the total market). The limited yet significant size of the potential cross-border market may indicate that a possible policy response at EU level should not necessarily include purely domestic operations.

Due to the nature of the goods transported, the CIT-sector is moreover exposed to serious security risks, the nature and level of which may be very different between Member States and may change over time as well. It is therefore of paramount importance that cross-border cash transports take place under conditions that provide a high level of security for the CIT-staff and for the general public. Due to different national traditions and risk environments, security requirements are however interpreted very differently across euro-area Member States, leading to large differences between national rules in a large number of areas, such as authorised transport types, armouring and equipment of the CIT-vehicles, the use of intelligent banknote neutralisation systems (IBNS), number of staff in the CIT-vehicles, the possession and carrying of firearms by the CIT-staff, training requirements, information towards the police, licence rules and penalties.

For some of these areas it may be particularly difficult to find a common rule for all countries involved. This concerns notably the carrying of weapons and authorised transport types. Rules on weapons are closely linked to real or perceived security and especially the carrying, and possible use, of weapons is obviously a very sensitive issue which is generally subject to strict controls and licensing arrangements in each Member State. Consultations with stakeholders have shown that there is very little support for abolishing regulatory differences in this area. However, other solutions can be found in order to enable cross-border transport, such as locking in the weapons in a strong-box in the CIT-vehicle when entering a Member State where carrying of (these) weapons are not allowed and through measures such as mutual approval of equivalent weapons training, by facilitating applications for weapons licences etc. The consultations with stakeholders have furthermore shown that it is not possible to find a standard transport type that fits all countries, but that a limited number of different transport types could be foreseen, with possibilities for Member States to opt out from one or several of them for their national territory.

Consultations have also shown that there is a need to provide legal certainty for everybody involved by establishing that cross-border cash transports shall be carried out during daytime and that the vehicle shall return to its Member State of origin at the end of the day. This ensures that it will not be possible for CIT-vehicles to spend the night under non-secure conditions in another country and it furthermore corresponds to common practice in the sector.

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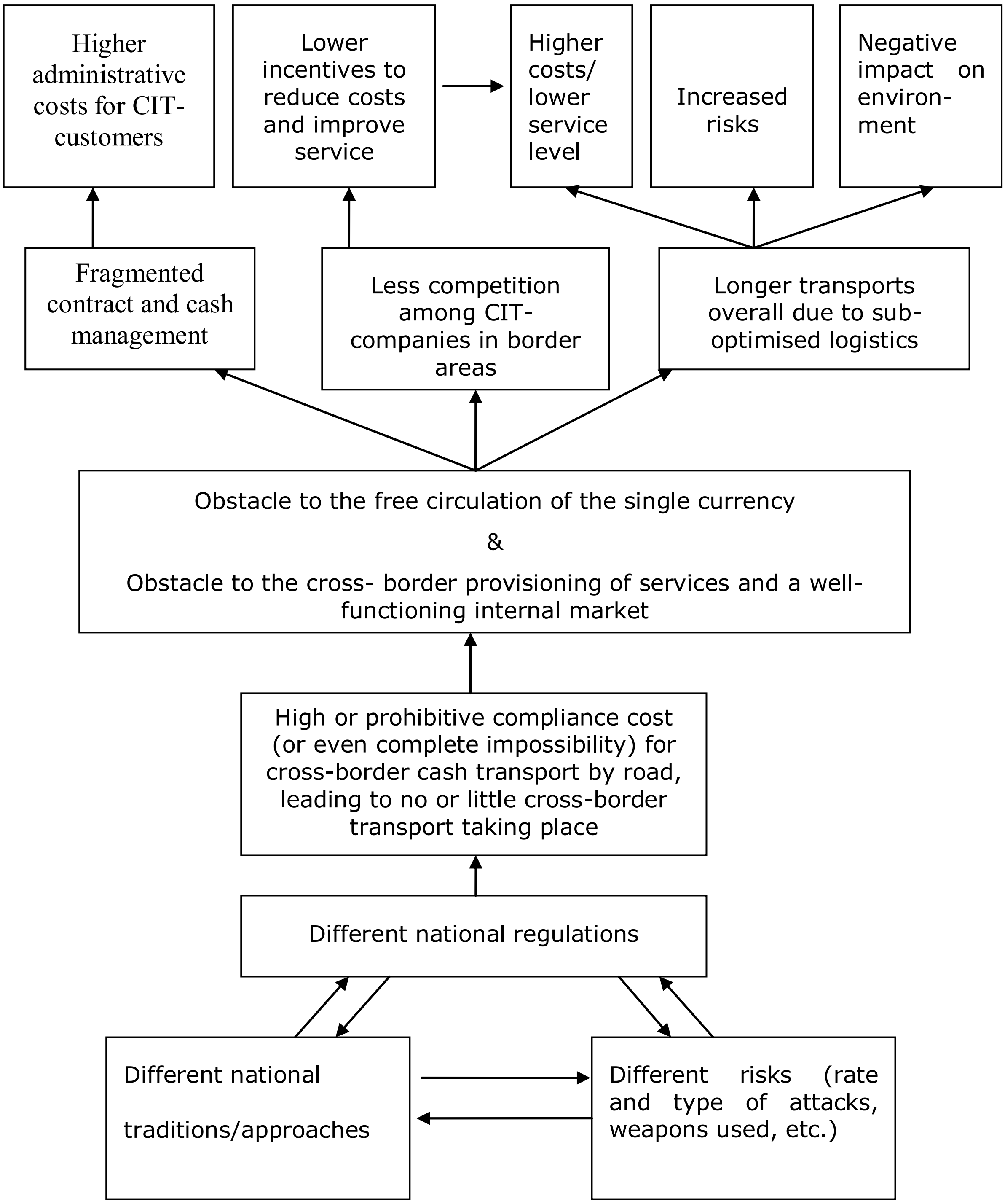
7 See the external study referred to in footnote 6.

The current situation can be illustrated by the 'problem tree' at the next page. Different national traditions and risk environments have given rise to different national regulations. These differences make it in most cases very difficult (or outright impossible in some cases[8]) for a CIT-company to carry out cash transports between different countries, since the cost of complying with the two different sets of regulations is too high. This is in practice an obstacle to the free circulation of the single currency, to the cross-border provision of services and a well-functioning internal market. This in turn means higher administrative costs for banks, retailers and other cash handlers that have subsidiaries or branches on both sides of a national border within the euro area since they cannot reap the benefits of an integrated management of CIT-contracts or of their cash handling in general. It also means potentially less competition between CIT-companies in border regions and longer transports compared to a situation where the deliveries/pick-ups can be organised unconstrained by the national borders. Both factors tend to lead to either higher costs or a lower service level or both. Longer transports for the same amount of cash transported will also, ceteris paribus, lead to higher fuel consumption and higher CO_2- and other emissions and increase the exposure to attacks. It should, however, be kept in mind that the security depends on a whole range of measures, such as co-operation with the national police forces, equipment of the CIT-vehicle, training of the staff etc.

Moreover, the regulatory differences described above are not just an obstacle for the cross-border transport of euro cash but also for other currencies. Although not directly linked to the euro as such, different currencies and also valuables may be carried simultaneously in the same CIT-vehicle. Obstacles to cross-border transport of euro cash may furthermore also concern Member States outside the euro area, notably in the case of a country that is preparing itself actively for the introduction of the euro.

[8] If, for example, it is not possible for a CIT-company from one Member State to obtain an authorisation for CIT-transport in a neighbouring Member State or if it is not possible to obtain a weapons licence there while the carrying of arms is mandatory.

PROBLEM TREE



A significant increase in cross-border transports may, however, also have negative social effects in the host countries. This concerns notably a possible effect on wage levels and/or employment in the CIT-sector in a given host country, if there are significant wage differences compared to neighbouring countries.

Table 1 on the next page shows the actual gross salary paid to CIT-staff. Salaries may vary according to, for instance, years of experience, qualifications and age. The data in the table may, furthermore, in some cases have changed since the information was collected. For all these reasons, the information below should be seen as indicative.

Table 1. Actual gross salaries in the CIT-sector in euro-area Member States. The countries have been grouped according to the main regions where cross-border cash transport is susceptible to take place.

	Actual monthly salary	***Actual monthly salary in bordering Bundesland*** *(bordering country in parenthesis)*
BE **DE** **NL**	*2365 €* *1315 € - 2261 €** *1902 €*	*Niedersachsen[a] 2135 € (NL)*
BE **NL** **LU**	*2365 €* *1902 €* *2572 €*	*Nordrhein-Westfalen[a] 2261 € (BE, NL)*
BE **FR** **DE** **LU**	*2365 €* *2268 €* *1315 € - 2261 €** *2572 €*	*Rheinland-Pfalz/Saarland[a] 1718 € (BE, LU, FR)* *Baden-Württemberg[a] 2034 € (FR)*
FR **IT**	*2268 €* *2083 €*	
IT **AT** **SI**	*2083 €* *2077 €* *1083 €*	
AT **SK**	*2077 €* *750 €*	
DE **AT**	*1315 € - 2261 €** *2077 €*	*Bayern[b] 2121-2195 € (AT)*
FR **ES**	*2268 €* *1754 €*	***a*** *For staff with between 7 months and 2 full years of working experience depending on the Land.*
ES **PT**	*1754 €* *1189 €*	***b*** *Depending on the location ("Ortsklasse").*

** Depending on the Land.*

Sources: ESTA, 2010 (for BE, ES, FR, LU, NL, AT, PT, SI and SK). Replies to questionnaire of 17.7.2008 to Member States' permanent representations (for IT). Bundesvereinigung Deutscher Geld- und Wertdienste e. V. (for DE). Actual monthly salary is actual annual salary divided by 12 including possible risk allowances, premiums etc.

N.B. Euro-area countries with no land borders to other euro-area Member States, i.e. Cyprus, Malta, Greece, Ireland and Finland, are not included in the table.

As regards actual salaries, and based on the information in the table above, significant differences seem to exist in some cases between some neighbouring countries. It should be noted that comparisons with Germany should be based on the salaries in the relevant neighbouring Land (see second column in the table above), since collective agreements are concluded at that level in Germany.

Compared to Belgium, salaries in Rheinland-Pfalz/Saarland are 27 % lower, in Netherlands 20 % lower while they are only slightly lower (4 %) in Nordrhein-Westfalen. Compared to Luxembourg, salaries are 33 % lower in Rheinland-Pfalz/Saarland, 12 % lower in France and 8 % lower in Belgium. Salaries are furthermore 16 % lower in the Netherlands compared to Nordrhein-Westfalen and 11 % lower compared to Niedersachsen. Compared to France, salaries in Rheinland-Pfalz/Saarland are 24 % lower, whereas salaries in Belgium are only slightly lower (4 %). Salaries in Italy seem to be rather similar to those in France (-8 %) and Austria (+1 %). Salaries in Austria and Bayern are also rather close to each other (3-9 % lower in Austria). The biggest salary differences can be seen between Austria and its neighbours Slovakia and Slovenia (64 % and 48 % lower in Slovakia and Slovenia, respectively) and between Italy and Slovenia (48 % lower in Slovenia). Finally, salaries in Portugal are 32 % lower than in Spain.

According to ESTA, labour costs represent well over half of the operating costs of companies in the CIT-sector[9]. Although salaries are certainly not the only factor that influence the market shares of CIT-companies, significant salary differences may nevertheless have a very direct effect on competitivity and thus on employment and/or salary levels in a given host country. It would be very difficult to quantify such potential effects with a sufficient degree of reliability and it goes in any case beyond the proportionate level of analysis of the present impact assessment report. In view of the existing salary differences described above, it may nevertheless be seen as justified to mitigate the potential social impact in the host country by ensuring a minimum protection of the workers. While Member States should in general not be prevented from using their comparative advantages, it is at the same time appropriate that a social minimum protection in line with the principles of existing EU legislation is ensured for the staff in the CIT-sector. The Directive 96/71/EC of the European Parliament and of the Council[10] is intended to provide for a minimum protection to be observed in the host country in the case of workers who are posted to perform temporary work there. In view of the specific character of CIT transport services, notably the frequent and short-term nature of the potential work periods abroad (where each period in the host country amount to less than a day), which may furthermore involve working in several different countries, there is however a need to clarify the application of Directive 96/71 to cross-border cash transport services. This is necessary in order to provide legal certainty for operators and ensure the practical applicability of the Directive in this sector.

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[9] According to a typical example provided by ESTA, salaries represented 63 % of the operating costs of the CIT-company in question.

[10] Directive 96/71/EC of the European Parliament and the Council of 16 December 1996 concerning the posting of workers in the framework of the provision of services.

2.3. Categories of stakeholders affected

Several categories of stakeholders are currently affected by the barriers to cash transport in the euro area.

CIT-companies and their staff. Currently CIT-companies are hindered to pursue the most efficient business operations in border areas. The shortest transport routes cannot always be followed in border regions as it is difficult or impossible to cross the national border. Additionally, as foreign markets are closed to national CIT- companies, they have organised themselves within national borders. International groups have established stand-alone subsidiaries in the various Member States and these companies have invested in different equipments and tools compatible with their national legislations. These international groups cannot benefit from economies of scale as, for example, vehicles cannot be used across countries. The prospect of cross-border cash transport will open potential new markets for the companies, while they will at the same time be exposed to potential competition in their domestic market. This will bring increased possibilities to exploit economies of scale and optimise logistics of transport and cash handling, but could also mean initial and other adjustment costs for cross-border operations in terms of training, possible investments, working conditions etc.

The customers of the CIT-companies, i.e. banks, retailers and other professional cash handlers. Customers that are present on both sides of a border are not able to benefit from integrated contract management and cash handling across borders. They also miss the benefits of a truly integrated internal market with an increased competition between CIT-companies beyond national borders and a wider choice of service providers.

Central Banks/the Eurosystem: The current barriers to the free circulation of euro cash across borders prevent the Eurosystem from achieving a high degree of convergence of NCB cash services - which includes inter alia the so-called remote access to NCB cash services and a common Eurosystem approach for electronic data exchange between NCBs and credit institutions - and creating a single euro cash area for professional cash handlers. The implementation of the remote access principle, which is only possible if the regulatory obstacles to cross-border transport are lifted, is key to improve the efficiency of the cash cycle in the euro area and to reduce the overall cost of cash for society. In the medium term, this should help building a streamlined and efficient network of NCBs branches in the euro area with no redundancies in the border areas.

Manufacturers of CIT-equipment, such as IBNS or armoured vehicles, are also affected by the absence of a truly integrated market for CIT services. The lifting of the obstacles to cross-border transport of cash could, in particular, benefit IBNS manufacturers as these "smart devices" make it possible to transport cash in a secure manner without necessarily involving the use of weapons. CIT companies could chose to invest in these devices, if authorised for the cross-border transports, as it avoids the difficult issue of the handling of weapons in a cross-border context.

Public authorities, such as ministries of interior, police forces, finance ministries in their capacity as monitors or supervisors of the cash cycle and its security. It could be argued that, for public authorities, monitoring the transport of cash on their territory is an easier task in the context of a fragmented market. Increased cross-border transports will imply monitoring and verifying that CIT-companies from other jurisdictions carrying out transports on their territory follow the relevant rules and will normally also lead to an increased need of communicating with authorities in the home Member States of these companies. Yet from an efficiency point of view, public authorities should welcome an increase in the cross-border transport of cash as this can lead to shorter routes in border regions, meaning higher security as the transport time is reduced. Additionally facilitating the transport of cash across borders should lead to a more efficient cash cycle, which should reduce the cost of cash for the society as a whole. Such efficiency gains are in the interest of public authorities.

The general public is indirectly affected by the existing barriers to the cross-border transport of cash as the reduced efficiency of the cash cycle has a cost which is, in fine, passed on to the citizen. Lifting the barriers to the cross-border transport of cash should lead to a more efficient cash cycle, but since this is an 'up-stream' effect that will potentially lower the costs for CIT-companies, banks, retailers and other professional cash handlers, the benefits are not likely to be very visible for the man in the street.

2.4. Estimated size of the potential cross-border CIT-market

In order to collect information on the current CIT-market and to estimate the size of the potential market for cross-border cash transport by road, if current regulatory obstacles to such transports are lifted, the lead service launched an external study that was carried out by Ramböll Management[11].

The potential market for cross-border cash transport by road has been quantified on the basis of data for eleven of the currently sixteen euro-area countries[12]. Due to security as well as competition concerns it was not possible for the contractor to collect information from CIT-companies on notably values transported and risks. CIT-companies furthermore typically report the results of their activities in overall terms covering all their cash logistics operations, which means that the money transport activities are not separated from other CIT activities such as counting, sorting and packaging.

An alternative approach of estimating the potential market was therefore developed (see Annex 3 for a detailed presentation) based on the assumption that in an open and free market where current regulatory obstacles to cross-border transport have been lifted, the amount of money transport on roads - both national and cross-border - will be proportional to the amount of total transport work, where transport work is defined as the number of motor vehicles[13] multiplied by the average vehicle kilometres. In order to correct for national differences in the cash cycle and transport patterns, this calculation was carried out on the basis of data for each individual country.

The proportion between CIT transport work (total number of kilometres driven by CIT-vehicles) and total transport work (total kilometres driven by all motor vehicles) can be applied to data on average annual daily traffic (i.e. number of counted vehicles) on each of the cross-border roads between the targeted euro-area countries in order to estimate

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[11] Available at the website of the European Commission at: http://ec.europa.eu/economy_finance/articles/euro/2010-02-26-cross-border-cash_en.htm

[12] Countries with no land border to other euro-area countries were not included, i.e. Ireland, Greece, Cyprus, Malta and Finland.

[13] Including passenger cars, buses, lorries and vans, but not motorcycles or mopeds.

the number of potential cross-border CIT transports. Finally, the share of euro ordered to CIT-companies[14] that is transported across borders can also be calculated.

On the basis of this method, it is estimated that the potential long-term market, assuming that all obstacles to professional cross-border euro cash transports by road are lifted, would amount to around 2.6 % of the total market (expressed in terms of the value of all euro cash ordered to CIT-companies). The highest shares of euro cross-border transport are expected to be in Belgium, the Netherlands and Austria, where cross-border shares of euro ordered are estimated to between 5.8 - 9.4 percent, while the lowest shares are expected in Italy, Spain and Portugal, where cross-border shares are estimated to between 1-1½ percent of the total market.

In the long term, it is estimated that around 77 000 cross-border transports[15] may potentially be carried out each year in the 11 euro-area countries that have land borders to other euro-area countries, provided that all regulatory obstacles are lifted. The highest frequency of cross-border transports is concentrated on the borders between Germany, Austria, the Netherlands, Belgium, Luxembourg and France, where the estimated long-term potential is estimated to around 55 000 CIT cross-border transports per year corresponding to around 70 percent of total cross-border transports. On the borders between Austria, Italy, Slovenia, Slovakia, France, Spain and Portugal the estimated transport frequency is relatively lower, i.e. 22 000 CIT cross-border transports per year or around 30 percent of total cross-border transports.

The potential market should be compared to the current cross-border market, for which no precise figures exist. However, according to the demand side (the banks and retailers) it is almost non-existent. For the supply side (ESTA), it does in any case not exceed 1 % of the total market. According to the findings of the external study on the current and potential cross-border CIT-market referred to above, reported cross-border operations concern coins mainly, whereas transports of banknotes is limited to a few cross-border regions, notably from Austria to Slovenia (see also section 6.1 below).

On the basis of this estimation, there consequently seems to be a potential for a considerable increase of the cross-border market at least in the long run, if current obstacles are lifted. It should furthermore be recalled that the long-term potential market for CIT cross-border transport has been calculated on the basis of current cross-border traffic. The long-term potential might therefore be underestimated as possible future traffic increases or euro-area enlargement is not taken into account. There are furthermore obstacles to current cross-border traffic (such as linguistic and other barriers to take up work and commute across the border) which may not apply to the same degree to cross-border cash transports.

In the shorter term, the long-term potential is restricted by different factors linked to the current organisation along national lines of both CIT-companies and their customers as well as NCBs, such as the current location of cash centres and CIT-customers' existing contract management. An adjustment of the long-term potential to take short-term

[14] Calculated as value of euro cash issued by the national central bank + value of euro cash reissued by CIT-companies.

[15] A transport meaning a CIT-vehicle that crosses the border twice; once on its outbound journey and once on its homebound journey.

obstacles into account is obviously very subjective and depends on the weightings given to different obstacles. The grading used by the study referred to above (see Annex 3 for more details) estimates the short-term potential to around 1.9 % of total euro ordered to CIT-companies, with the distribution of the impact similar to the long-term case, which is still a large increase compared to the current situation.

2.5. The right and the need for the EU to act

Article 133 in the Treaty on the Functioning of the European Union states that '… the European Parliament and the Council, acting in accordance with the ordinary legislative procedure, shall lay down the measures necessary for the use of the euro as the single currency. …'. It follows from this Article that the EU has the right, and in fact the duty, to take the necessary measures to ensure the free and efficient circulation of euro cash since the current situation creates obstacles to the cross-border transport of the euro and thus to its use. The existing barriers to the cross-border transport of cash are difficult to reconcile with the general principles of the internal market for services. Due to its specificities – nature of the goods transported, security dimension…- , the CIT sector was excluded from the scope of the Directive on services in the internal market. Yet in its article 38, the Directive called on the Commission to assess the possibility of presenting proposals for a harmonisation in this field before the end of 2010.

The differences between national legislations in the CIT sector have led to a fragmented market. CIT companies have organised themselves along national lines and have invested in specific equipments and tools, as required by the national laws. Given the absence of convergence between national requirements, it is practically impossible for national CIT companies to transport cash abroad with the transport modalities in use in their Member State. As an alternative to an EU action, bilateral agreements between Member States or even multilateral agreements could in theory be envisaged. Yet action at EU level brings important economies of scale as compared to bilateral or multilateral action (which may in practice not take place). Only action at EU level allows taking into account the future enlargement of the euro area as the EU rules for cross-border transport can be used by any new participating Member State, which is obviously not the case for bilateral/multilateral agreements. Even though a demand exists as expressed notably by the banking sector, more than eight years after the introduction of euro cash Member States have still not to any significant extent addressed the regulatory obstacles to professional cross-border transport of cash. This suggests that EU action is in practice the only possible way of reconciling diverging regulatory regimes (currently 16 in number), covering a wide range of complex issues where security issues and labour market considerations interact. Consequently, action at EU level is in conformity with the principle of subsidiarity.

3. OBJECTIVE

The creation of the euro and the introduction of euro banknotes and coins has created a geographical space that shares a single currency both in its scriptural and its concrete fiduciary form. It follows from the logic of the single currency that it should be able to circulate without obstacles within this geographical space - the euro area. Whereas private individuals or private companies can transport euro banknotes and coins with their own means, professional cross-border transport of euro cash by road (i.e. by using a professional cash-in transit company) is however very difficult in practice.

The general objective of the present Commission initiative is to facilitate the free circulation of euro cash within the euro area by removing obstacles to the professional transport of euro cash by road between euro-area Member States, while ensuring that the transports take place under conditions that provide a high level of security for the CIT-staff and for the general public.

To facilitate professional cross-border transport of euro cash is, moreover, a natural and necessary complement to the European Central Bank's Roadmap for more convergence of National Central Bank (NCB) cash services and the creation of a Single Euro Cash Area for professional cash handlers. It is moreover complementary to the payment services directive[16] and SEPA – the single euro payments area[17], which aims at making electronic cross-border payments in euro as easy as domestic payments.

Ensuring the free circulation of euro cash furthermore fits into the wider EU policy context of creating a stronger, deeper, extended single market and remove bottlenecks to cross-border activity[18].

As explained in sections 2.1 and 2.2, the CIT-market has a local character and the potential cross-border market can roughly speaking be estimated to some 100 km on each side of the border for the majority of the transports.

As regards the free circulation of the euro, the specific objective should therefore be to facilitate transport in such border areas between euro-area Member States, while differences in national CIT-regulations outside this geographical space in principle have less impact on the free circulation of the euro. A reservation must, however, be made in regard to 'point-to-point' transports that may reach much further into the territory of another Member State. These transports, however, represent a minor share of all CIT-transports in terms of kilometres driven, hours worked and cash points serviced.

The purpose of facilitating cross-border cash transports is to make it possible for the CIT-sector and their customers to optimise their cash logistics and handling in the concerned regions, which would contribute to a more efficient cash cycle and to a reduction in the cost of cash. However, an increase in cross-border cash transports could at the same time lead to a possible negative effect on wage levels and/or employment in the CIT-sector in a given host country, if there are significant wage differences compared to neighbouring countries. While Member States should in general not be prevented from using their comparative advantages, a social minimum protection to be observed in the host country should at the same time be ensured for the staff in the CIT-sector in line with the existing principles in EU legislation.

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16 Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market amending Directives 97/7/EC, 2002/65/EC, 2005/60/EC and 2006/48/EC and repealing Directive 97/5/EC, OJ L319, 5.12.2007.

17 The geographical scope of SEPA covers non-cash euro payments not only in the euro area but in the 27 EU countries as well as five other European countries.

18 See for example the Commission Communication 'Europe 2020, A strategy for smart, sustainable and inclusive growth', COM(2010) 2020 final of 3.3.2010.

The general objective of security for the CIT-staff and for the general public means that attacks should as far as possible be deterred and that if an attack nevertheless takes place, it should result in a minimum of human damage. The specific objective should be that cross-border transports are at least as secure as domestic transports.

Finally, it is also important to ensure that there is clarity about the rules in force and their enforcement; what could be termed 'legal certainty' for management, staff and customers of CIT-companies and for the concerned national and European authorities.

4. DEFINITION OF BROAD POLICY OPTIONS

The following five main policy options for EU action in this area can be considered:

4.1. Option 1 – Baseline - No change compared to the current legal set-up.

This option would imply that the current national CIT-regulations continue to fully apply for the national territory of each euro-area Member State. Due to the large differences between national regulations[19], transport of euro cash across the borders, if at all possible, need to be carried out on the basis of specific authorisations granted by the authority of the host country.

4.2. Option 2 – Bilateral or multilateral agreement between those Member States potentially most concerned by cross-border transports

Under this option, those Member States that are potentially most concerned by cross-border cash transports would agree between themselves on a voluntary basis to establish procedures or common rules to facilitate such transports.

4.3. Option 3 - A set of common rules that would be valid in all euro-area Member States but limited to cross-border transports ('common cross-border rules').

This option focuses on cross-border transports only. It would imply the adoption of a set of common EU rules that would be applicable specifically to cross-border cash transports, while the existing national rules would continue to apply to domestic transports.

Under this option, two sets of CIT-legislation would co-exist in a given country: one that applies to domestic transports and one that applies to cross-border transports. In order to ensure a uniform application of the common rules, an EU Regulation would be the most appropriate legal instrument.

4.4. Option 4 - A system where authorisation in one Member State would be valid in all euro-area Member States ('full mutual recognition').

This option would mean that a CIT-company that has been approved to carry out euro cash transport in one Member State according to its national CIT-regulation, would be

[19] See the problem definition, section 2.2.

authorised to carry out such transport in all euro-area Member States according to the rules on armouring, weaponry, IBNS, number of staff, etc. that apply in its Member State of origin. In theory, this option could be differentiated into a multitude of variants where mutual recognition only concerns some of the rules governing CIT-transport. However, in view of the many issues covered by national CIT-regulations, full mutual recognition seems to be a reasonable approximation of what would be needed to reach the objective of facilitating the free circulation of euro cash.

4.5. Option 5 - A full harmonisation of the regulation of CIT-transport by road in all euro-area Member States by way of EU legislation.

This option would mean that the national CIT-regulations would be replaced by common EU rules, not only for cross-border transports but also for purely domestic transports. The current regulatory obstacles to professional cross-border transport of euro cash by road would thus in principle be eliminated, since the transports would be carried out under the same rules in all euro-area countries.

4.6. Sub-options

A number of sub-options to options 3–5 can furthermore be considered:

a) *Extending the geographical scope to EU Member States that have not adopted the euro.*

The objective of the Commission initiative is to facilitate the free circulation of the single currency within the euro area. It may, however, be relevant to include the territory and possibly also the currency of other EU Member States as well, notably in the case of a country that is preparing itself actively for the introduction of the euro.

b) *Extending the scope of goods carried to other cash and possibly valuables.*

The scope of the initiative could be widened to include also other currencies (EU and non-EU) as well as other kinds of valuables. It could be seen as an advantage not to unnecessarily restrict the scope of the EU rules, since different currencies and valuables may be carried simultaneously in the same CIT-vehicle. Valuables include a variety of items apart from cash, such as diamonds, valuable documents, antiques etc.

c) *Restricting the scope to 'point-to-point' transports.*

Cash transport services can be divided into two main categories: 'point-to-point' (or 'wholesale') transport services and 'retail' transport services (see section 2.1 above).

This option would restrict the scope of EU action to cross-border point-to-point transports and the servicing of final customers such as commercial bank branches, large retailers or ATM by so-called 'multi-stop' or 'retail' transports would thus not be enabled by the EU rules.

5. APPRAISAL OF THE BROAD POLICY OPTIONS (FIRST-ROUND ASSESSMENT)

The appraisal in the present impact assessment is organised in two rounds. First, a general appraisal of the broad policy options is undertaken in this section. Thereafter, a more detailed assessment of the policy options that have the potential of reaching the objectives is made in Section 6.

As explained above, the current legal set-up (**Option 1** – no change) means that professional cross-border cash transport, if at all possible, need to be carried out on the basis of specific authorisations granted by the authority of the Member State of destination. Apart from the administrative proceedings involved, this still involves the need to comply with two or more different complex sets of national rules.

Belgium as well as Luxembourg have introduced a light authorisation procedure for companies that are already authorised to carry out CIT-transport in the neighbouring countries. This means that it is enough that the CIT-company proves that it fulfils the Belgian or Luxembourgian requirements, but it does not need to undergo a full-scale authorisation procedure. This simplified authorisation is valid for a certain time period (five years in the case of Belgium). None of these countries has however signed a special agreement with the neighbouring countries.[20]

In view of the large number of national rules involved, not least security-related, it seems highly unlikely that such agreements would materialise spontaneously in the future on a larger scale, at least as far as 'retail transports' are concerned. It can therefore be concluded that Option 1 would not be effective in meeting the stated objective. It is however retained as the baseline option against which the costs and benefits of possible EU action should be measured. The possibility of bilateral or multilateral agreements between Member States is further examined under option 2 below.

Option 2 (Bilateral or multilateral agreement between those Member States most concerned)

This option would mean that euro-area Member States with land borders to each other and a potential for cross-border transports would agree on a bilateral or multilateral basis with their neighbours to allow foreign CIT-companies to operate on their territory. According to the external study on the potential market referred to earlier, the highest potential frequency[21] of cross-border transports concern the borders between Belgium, Germany, France, Luxembourg, the Netherlands and Austria, but there is a significant potential for transports also to and from other euro-area countries such as Italy, Slovakia, Slovenia, Portugal and Spain.

This option would mean that the currently eleven euro-area Member States with land borders to other euro-area Member States would agree to remove obstacles to professional cash transport across their mutual borders. This could take place among all eleven countries, at the level of different sub-groups, such as for example

- Belgium/Netherlands/France/Germany/Luxembourg
- Germany/Austria/Slovakia/Italy/Slovenia

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[20] Source: Questionnaire to Member States' Permanent Representations of 17.7.2008.

[21] Measured as transports/day.

- Spain/France/Italy/Portugal/Spain

or on a purely bilateral basis.

Market operators have however adapted to the current closed national markets and integrated this situation in their behaviour. National administrations may therefore not have enough incentives to change their regulatory framework in order to achieve a better functioning cross-border CIT-market. In the case of multilateral agreements, this could be compounded by the fact that the benefits may be unevenly spread among Member States. There is furthermore a general co-ordination problem when several Member States are involved, especially in the light of the large number of complex, sensitive and security-related issues and national rules related to cross-border cash transport.

Against this background, it seems highly unlikely that such agreements would materialise spontaneously on a larger scale, at least as far as 'retail transports' are concerned. This is confirmed by the fact that no agreement has so far been concluded during the more than eight years that have passed since euro banknotes and coins were introduced. Furthermore, even in the case of such an agreement, it would still only cover part of the euro area and it would not allow taking into account future enlargements of the euro area. An agreement at EU level therefore seems to be a more efficient and in practice the only possible approach to facilitate cross-border cash transport between all the concerned countries.

Bilateral or multilateral agreements could furthermore not lift the current restrictions for cross-border cabotage operations, which are limited to three cabotage operations in the host Member State within seven days according to EU law[22]. Since a CIT-vehicle may make 20-25 stops to deliver/pick up cash during a day, the current limitations to cabotage would in practice very severely limit the possibilities to service final customers across the border for vehicles covered by the EU rules.

Option 2 is not retained for further analysis, since it is not considered to be effective in meeting the objective of facilitating the free circulation of euro cash within the euro area.

Option 3 (a common set of rules applicable to cross-border CIT-transports only) would meet the objective of facilitating the free circulation of euro cash. Since it is limited to cross-border transports it would furthermore not go beyond what is necessary to achieve the objectives. On the other hand it would mean that two sets of CIT-regulation would co-exist on the national territory; the national rules applicable to domestic transports and the EU rules applicable to cross-border transports. In order for such a system to work, the EU rules must provide a high level of security for the CIT-staff and for the general public and must not be seen as compromising the security of the cash transports.

Option 3 is retained for further analysis, since it has the potential to meet the stated objective.

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[22] See Regulation (EC) No 1072/2009 of the European Parliament and of the Council of 21 October 2009 on common rules for access to the international road haulage market (recast), OJ L 300, 14.11.2009, p. 72.

Also **Option 4** (full mutual recognition) would meet the overarching objective of facilitating the free circulation of euro cash, but it would mean that CIT-companies would be allowed to operate across borders under a theoretical maximum of 11 different sets of rules (counting euro-area countries with land borders to each other). In practice the number of possible different sets of rules would be lower, since CIT-vehicles normally return to their country of origin within the same day they left it and the distance they travel is thus limited by the daily action radius. It would however in any case be very confusing for the competent national supervisory and enforcement authorities if a CIT-vehicle can operate under several different national sets of rules on the territory of one Member State (e.g. under Belgian, German, French, Dutch or Luxembourgian rules on the territory of Luxembourg). This is even more the case in view of the sensitive issues under regulation, such as the possible carrying of weapons, type and calibre of the weapons carried, armouring and markings of the vehicles. On the basis of consultations of the stakeholders in the sector and notably of Member States' relevant authorities, it is fully clear that such a situation would be unacceptable in a sector that is by the nature of its business exposed to serious security threats and would not meet the objective of ensuring that the transports take place under conditions that provide a high level of security for the CIT-staff and for the general public. This option could also be seen as disproportionate since it could affect the whole territory of the host Member States, unless the scope of the option is specifically restricted to cross-border operations.

In theory, mutual recognition could be restricted to concern only some of the rules governing CIT-transport. However, this would mean that regulatory obstacles would remain. In view of the many issues covered by national CIT-regulations, full mutual recognition seems to be a reasonable approximation of what would be needed to reach the objective of facilitating the free circulation of euro cash.

Option 4 is thus not retained for further analysis since it could create important security risks for the CIT-staff and the general public. In the absence of specific measures to restrict the scope, it would moreover not be proportionate to the stated objective (cf. also option 5 below).

Option 5 (full harmonisation) would meet the objective of facilitating the free circulation of euro cash and would be consistent with a single euro cash area and the single market. However, since cross-border euro cash transport only concerns a limited part of all euro cash transport, it could be questioned whether it is proportionate (relative to the stated objective of facilitating the free circulation of euro cash between Member States within the euro area) to harmonise the rules for all CIT-transports, whether cross-border or not. A full harmonisation would furthermore be very difficult in view of the many sensitive and security-related issues involved in the area of CIT, not the least concerning the possession and carrying of weapons.

Option 5 is therefore not retained since it does not meet the criterion of proportionality between the means and the objective and would imply administrative and other adaptation costs for the whole CIT-sector, while regulatory obstacles in principle affect only border regions between euro-area Member States.

In addition, **sub-option a)** (Extending the geographical scope to EU Member States that have not adopted the euro) is retained, since it could be interesting for Member States outside the euro area if the scope of the common rules is extended to their territory and possibly also their currency. This could be particularly relevant for a country that is preparing itself actively for the introduction of the euro and is, moreover, coherent with overarching EU objectives such as realising the potential of the single market and creating a more competitive and connected economy.

Sub-option b) (Extending the scope of goods carried to other cash and possibly valuables) is partly retained since some stakeholders have pointed out the need for delivery and repatriation of other EU and EEA currencies. Valuables, on the other hand, include a variety of items apart from cash, such as diamonds, valuable documents, antiques etc. Including such diverse items under the scope of common rules whose objective is the free circulation of euro cash may risk complicating the legislative effort and deflect it from the core objective of the initiative.

Sub-option c) (Restricting the scope to 'point-to-point' transports) would imply limiting the scope of the common rules to 'wholesale' transports between (NCB, CIT and commercial bank) cash centres, while the servicing of final customers (commercial bank branches, large retailers, off-premises ATMs) would in principle be excluded.

In order to meet the objective of facilitating the free circulation of euro cash within the euro area by removing regulatory obstacles to the professional cash transport by road, all euro cash transports should normally be included in the scope of the rules. Limiting the scope to point-to-point would exclude the large majority of transports in terms of kilometres driven, hours worked and cash points serviced[23]. However, since some stakeholders have expressed their preference for this sub-option it is retained for further analysis.

The results for the broad policy options and sub-options are summed up in table 2 below on the basis of the following criteria:

- **Effectiveness:** The extent to which options achieve the objectives of the proposal;
- **Efficiency:** The extent to which objectives can be achieved for a given level of resources/at least cost, notably administrative costs for all parties involved (cost-effectiveness);
- **Coherence:** The extent to which options are coherent with the overarching objectives of EU policy.
- **Proportionality:** Community action should not go beyond what is necessary to achieve the objectives set.

[23] But not in terms of the *value* of the cash transported.

Table 2. Comparison of broad options and sub-options with the base-line 'no-change' option.
(0 no change/baseline, + positive, (+) somewhat positive, - negative)

Main options:	**Effectiveness** in reaching objectives	**Efficiency** in reaching objectives	**Coherence** with overarching EU objectives	**Proportionality**
1. No change	0	0	0	0
2. Bilateral or multilateral agreements	0	0	0	0
3. Common cross-border rules	++	++	++	++
4. Full mutual recognition	-	-	-	-
5. Full harmonisation	++	-	++	-
Sub-options:				
a) Extension of the scope to MS outside the euro area	(+)	(+)	+	(+)
b) Extend the scope to other cash	0	(+)	+	0
c) Restricting the scope to point-to-point transports	(+)	(+)	(+)	(+)

N.B. Option 2 – Bilateral or multilateral agreements – receives the same score as the baseline since it is not considered realistic that such agreements will materialise. Sub-option b) receives a (+) for efficiency since the possibility of carrying other cash together with euro cash in the same vehicle may reduce costs.

6. DETAILED ANALYSIS OF IMPACTS (SECOND-ROUND ASSESSMENT)

This section includes an assessment of the economic, social and environmental impacts of the retained broad option and sub-options, i.e. option 3 with sub-option a), part of sub-option b) and sub-option c). It also assesses the possible impact on the security of the transports.

The different impacts depend to a large degree on the size of the potential market and the extent to which it can be realised. In order to collect information on the current CIT-market and to estimate the size of the potential market for cross-border cash transport by road, if current regulatory obstacles to such transports are lifted, the lead service therefore launched an external study that was carried out by Ramböll Management[24]. As a general remark, it should be noted that due to security and competition concerns it is difficult to collect data on the CIT-market, such as values transported, turnover etc.

For the purpose of the assessment, the retained broad option 3 is developed into four specific options in order to take into account security-related or other sensitive issues:

Option A. National rules on the carrying of weapons by CIT-staff remain fully in force.

Option B. A number of CIT-transport types are established, with opt-out possibilities for the individual Member States.

Option C. Restriction of the scope of cross-border transport to one day and daytime, meaning that the CIT-vehicle shall depart from and return to its Member State of origin in the same day and the transport shall be carried out during daytime.

Option D. The majority of the number of cash deliveries/pick-ups made by a CIT-vehicle during the day must be carried out on the territory of the host Member State(s).

6.1. The current cross-border CIT-market

The current CIT-market is organised along national lines and CIT-companies have adapted to the national regulations. Cross-border cash transports by road in the euro-area are very limited. According to the external study referred to in Section 2.4 above, reported cross-border operations concern coins mainly[25], whereas transports of banknotes is limited to a few cross-border regions[26].

6.2. A set of common rules limited to cross-border CIT transports

This option implies the introduction of a common set of rules for cross-border CIT-transports that are valid for all euro-area countries. The common rules would thus replace the current national rules, except for specific areas where it is explicitly stated that national rules continue to apply (see specific options A and B). The analysis of

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[24] Available at the website of the European Commission at: http://ec.europa.eu/economy_finance/articles/euro/2010-02-26-cross-border-cash_en.htm

[25] Cases were reported between Portugal/Spain, Belgium/the Netherlands, Belgium/Germany and Italy/Austria.

[26] Cases were reported between Austria/Slovenia, Austria/Germany and Luxembourg/Belgium.

impacts is based on the broad lines of the envisaged rules that were annexed to the White Paper of 18 May 2009 and that have subsequently been further discussed in an expert group with representatives from Member States' administrations. The assessment is first based on the impact of a set of common rules that cover all aspects of cross-border transports without restrictions to the scope and without national derogations (section 6.2.1-6.2.3). The effect of the different derogations and restrictions to the scope foreseen under the four specific options are subsequently assessed (sections 6.2.4) and finally, the impact of a set of cross-border rules on the security of the transports is assessed.

6.2.1. Potential economic impact

A set of common rules that would generally allow cross-border CIT-transports within the euro area, as opposed to limited possibilities of specific authorisations, could be expected to bring a number of economic benefits. These would include cost savings and reduced administrative burden resulting from integrated cash handling and CIT contract management for the 'demand side', i.e. banks, big retailers and other cash handlers that have subsidiaries or branches on both sides of a national border within the euro area. Increased competition between CIT-companies in border regions could also be expected to bring economic benefits in terms of better prices and/or a better service level.

From the perspective of the 'supply side', i.e. the CIT-companies that provide the transport and often also the processing services (packaging, counting and sorting of cash) for the customers, common cross-border rules will provide possibilities for logistical improvements and related cost-savings. Cash transports in border regions and notably multi-point servicing can be planned and carried out in a more optimal way across the national borders. Over the longer term, this may also lead to relocation and/or rationalisation of cash centres in order to optimise cash logistics in border regions. On the other hand, the introduction of new rules may imply initial and other adaptation costs for cross-border operations in terms of training, possible investments, staffing requirements etc.

However, cross-border cash transports means not only potentially cheaper service, but also potentially better service for which customers may be willing to pay more. As an example, a big retailer may be better served from a cash center across the border that could more easily deliver/pick-up cash on a daily instead of on a weekly basis. Lifting obstacles to cross-border transport could in this example have a positive impact on the costs/risks of the retailer (less storage/security costs and risks involved) which could have a positive impact on the CIT-business as more frequent deliveries and additional turnover would be created.

Common rules that generally allow cross-border cash transports might also lead to a streamlining of the networks of the national central banks in border areas with less overlaps. This could also lead to cost-savings at the European level.

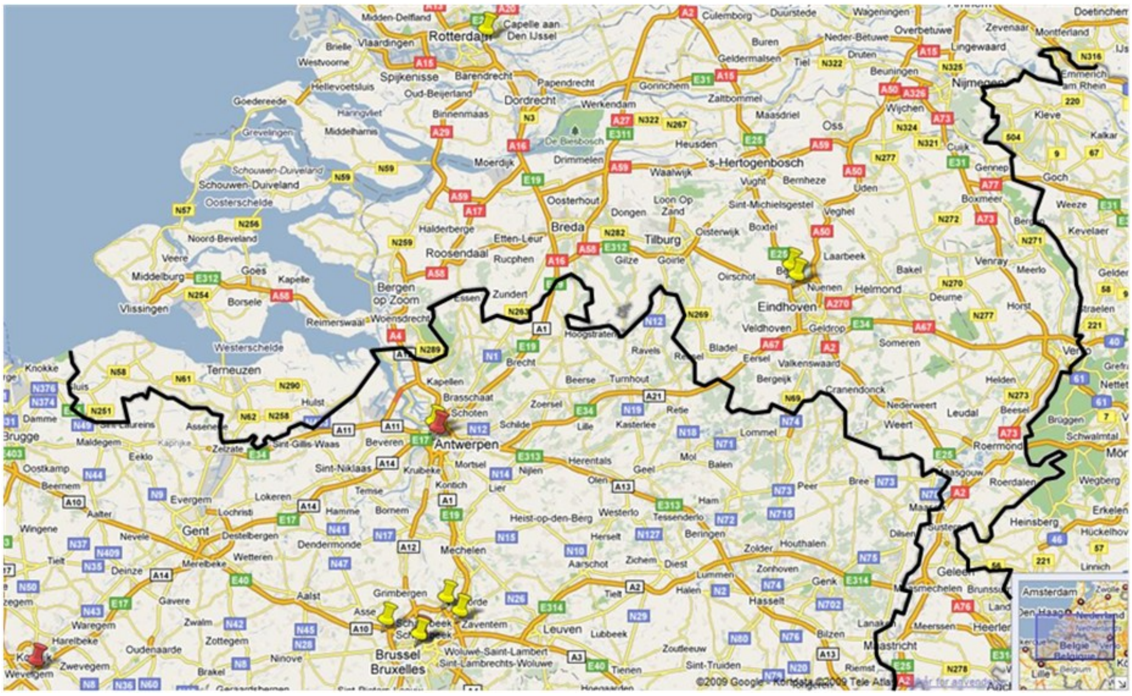
The potential for logistical improvements and related cost-savings can be illustrated by two examples:

A. Parts of the Netherlands, such as for instance the southern part of the Dutch province Zeeland – Zeeuws Vlaanderen – including the city Terneuzen (see Map A below). For those banks that operate bank branches and ATMs in both Belgium and the Netherlands, it would be more optimal from a logistical point of view if cash transports were provided from cash centres in Antwerpen in Belgium than from Dutch cash centres in Rotterdam or Eindhoven.

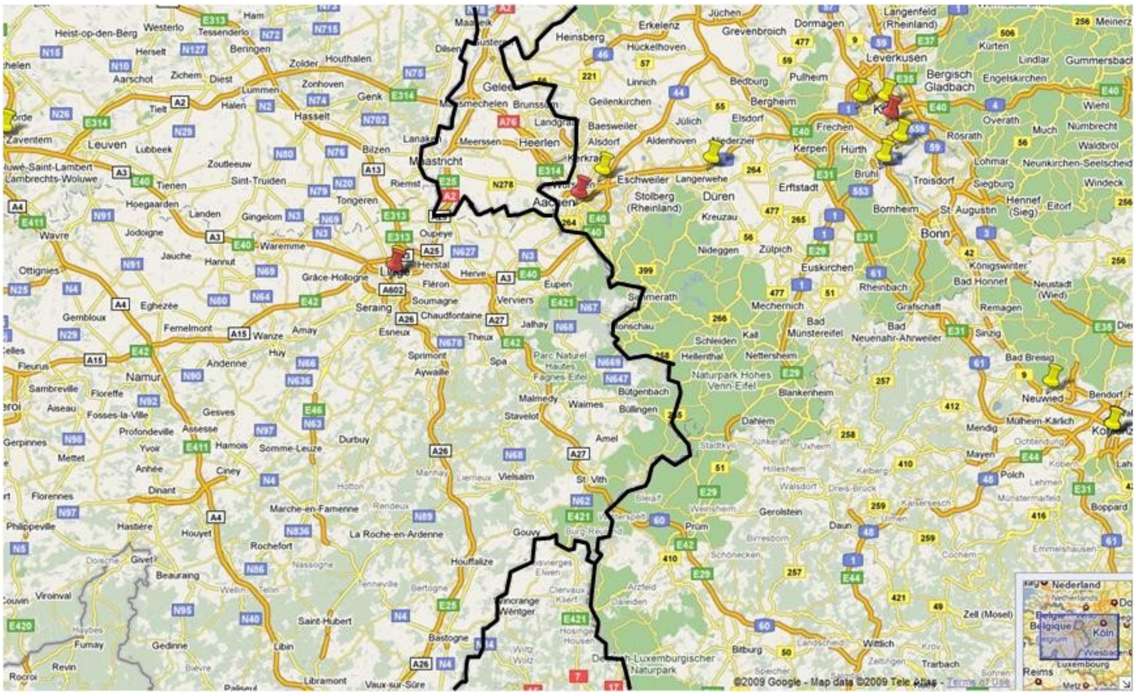
B. The German, Belgian and Dutch region around the cities Aachen, Liège and Maastricht (see Map B below as well as Map 1 in Annex 5) provide a large area with many inhabitants and related number of bank branches and ATM's. There is a CIT cash centre and an NCB branch in Liège in Belgium and a CIT cash centre and an NCB branch in Aachen in Germany. Given the long distances between Maastricht and the nearest Dutch CIT cash centres in Eindhoven it could be more efficient to provide CIT-transport services from Liège or Aachen. This would notably be relevant for those banks that operate branches and ATM's on both sides of the border. An easy implementation of such a logistical model would however require a minimum harmonisation of the relevant CIT-rules in the concerned border region.

The yellow pins in the maps below symbolise CIT cash centres and the red pins NCB branches with cash services. NB. Although partly hidden in the maps, there are NCB branches as well as CIT cash centres in Antwerpen, Brussels and Liège.

Map A. Southern Netherlands/Northern Belgium



Map B. The Aachen/Liège/Maastricht-area



The potential cross-border market has been estimated in an external study as explained more in detail in Section 2.4 above. According to this study, it is estimated that the potential long-term market, assuming that all obstacles to professional cross-border euro cash transports by road are lifted, would amount to around 2.6 % of the total market (expressed in terms of the value of all euro cash ordered to CIT-companies), which would correspond to some 77 000 cross-border transports[27] potentially being carried out each year in the 11 euro-area countries that have land borders to other euro-area countries. This is a large increase compared to the current situation and indicates that there is a potential for a significant increase in cross-border euro cash transports if regulatory obstacles are lifted.

The above estimation is based on current traffic flows. It is, however, difficult to predict what the effects of opening the cross-border market may be. As mentioned above, increased possibilities for cross-border cash transports may have a positive impact on the CIT-business in terms of more frequent deliveries and additional turnover.

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27 A transport meaning a CIT-vehicle that crosses the border twice; once on its outbound journey and once on its homebound journey.