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

**on the implementation of Regulation (EC) No 177/2008 of 20 February 2008 establishing
a common framework for business registers for statistical purposes and repealing
Council Regulation (EEC) No 2186/93**

1. INTRODUCTION

Regulation (EC) No 177/2008¹ (hereinafter referred to as the "BR Regulation") establishes a common framework for business registers for statistical purposes. It entered into force on 25 March 2008 and repealed Regulation (EEC) No 2186/93² (hereinafter referred to as the "repealed BR Regulation").

The BR Regulation aims at:

- high quality and harmonised statistical business registers in the Member States;
- improved statistics related to globalisation.

For these purposes the BR Regulation requires Member States to:

- take all measures necessary to ensure the quality of their business registers;
- transmit to Eurostat data on multinational enterprise groups and their constituent units.

In the long term the quality improvements of the statistical business registers are supposed to reduce the costs for the production of business statistics and the administrative burden on respondents. However, in the short and medium terms, the implementation of the BR Regulation implies some initial costs for National Statistical Institutes and some modest increase of the administrative burden, in order to reach the levels of quality and harmonisation necessary to allow the desired benefits.

Article 6 of the BR Regulation requires a Commission report to the European Parliament and the Council on its implementation, "*addressing in particular the cost of the statistical system, the burden on business and the benefits*".

This report examines the most important aspects of the implementation of the BR Regulation with regard to the measures taken by the Commission (Eurostat) and the impact of the BR Regulation on:

- the cost for the National Statistical Institutes and Eurostat (the statistical system);
- the administrative burden on the respondents;
- the benefits in terms of quality of the statistical business registers and improved statistical measurement of globalisation phenomena.

¹ Regulation (EC) No 177/2008 of the European Parliament and of the Council of 20 February 2008 establishing a common framework for business registers for statistical purposes and repealing Council Regulation (EEC) No 2186/93. OJ L 61, 5.3.2008, p. 6

² Council Regulation (EEC) No 2186/93 of 22 July 1993 on Community co-ordination in drawing up business registers for statistical purposes. OJ L 196, 5.8.1993, p.1

The timing of the report is related to the ongoing preparation of an encompassing and streamlined Framework Regulation Integrating Business Statistics and the consequent plans to repeal several Regulations, including the BR Regulation.

2. The BR Regulation at a glance

All Member States of the European Union (EU) maintain business registers for statistical purposes. The BR Regulation establishes a common framework for these registers through determining a unitary manner to approach, amongst others, the following aspects: the definition of units, the coverage, the updating, the characteristics, and the quality of business registers.

The following aspects must be taken into account when analysing this topic:

- Business registers constitute a crucial resource for the adequate planning, conduction and coordination of statistical surveys, as an up-to-date business survey frame is required for an efficient selection of samples;
- The development and standardisation of business registers, thus ensuring their quality, can contribute significantly to improving the quality of statistical outputs;
- A common framework for the harmonisation of the national statistical business registers is needed in order to produce official business and economic statistics, which are consistent and comparable both across countries and across statistical domains;
- The standardisation of the business registers and of their use is an indispensable prerequisite for data integration.

Compared to the repealed BR Regulation, the BR Regulation goes further into consolidating a common framework for the harmonisation of national registers. It also extends the requirements to cover additional variables, most notably at enterprise group level, thus reflecting the creation of the single market and the on-going globalisation of the economy as well as the deepening integration of activities in different sectors.

The BR Regulation allowed the creation of the EuroGroups Register (EGR) as a useful statistical tool to provide information on all control relationships within multinational enterprise groups.

The EGR process consists of a complex flow of different data sets between Eurostat and Member States, involving National Statistical Institutes, National Central Banks and also the European Central Bank.

In addition, the BR Regulation introduces provisions related to the exchange of confidential data on multinational enterprise groups and their constituent units between the Commission (Eurostat) and the National Statistical Institutes of the Member States, and between the Commission (Eurostat) and central banks.

The BR Regulation extends the coverage of statistical business registers in order to be able to capture, to the greatest possible extent, all enterprises that are active in the national economy. This is the reason why the BR Regulation introduces the compulsory inclusion of the following NACE Rev.2 sections in the business registers:

- A – Agriculture, forestry and fishing
- O – Public administration and defence; compulsory social security

The definition of statistical units in the BR Regulation follows Council Regulation (EEC) No 696/93 of 15 March 1993 on the statistical units for the observation and analysis of the production system in the Community³ (hereinafter the "Statistical Units Regulation"). The BR Regulation enumerates the statistical units to be recorded in the business registers: legal unit, local unit, enterprise, enterprise group. The definitions of the Statistical Units Regulation have not been correctly implemented in all Member States. Eurostat and the National Statistical Institutes are still working together towards the goal of a harmonised implementation of statistical units.

3. Measures facilitating the implementation

In order to ensure the implementation of the BR Regulation, a set of measures was developed to support the Member States during the process.

Regulations supporting the implementation

Two Commission Regulations were adopted to contribute to the implementation of the BR Regulation:

- (1) Commission Regulation (EC) No 192/2009 of 11 March 2009 implementing the Regulation (EC) No 177/2008 of the European Parliament and of the Council establishing a common framework for business registers for statistical purposes, as regards the exchange of confidential data between the Commission (Eurostat) and Member States⁴: it establishes the *format, the security and confidentiality measures* as well as the *procedure for the transmission of data on individual units to the Commission* (Eurostat) and data on multinational enterprise groups to the appropriate national authorities. The data will be transmitted by electronic means and the Commission (Eurostat) will upload it through its single data entry point. The Commission (Eurostat) and the appropriate national authorities keep the information confidential as specified by the national authorities, in a secure controlled area with restricted access.
- (2) Commission Regulation (EU) No 1097/2010 of 26 November 2010 implementing Regulation (EC) No 177/2008 of the European Parliament and of the Council establishing a common framework for business registers for statistical purposes, as regards the exchange of confidential data between the Commission (Eurostat) and central banks⁵: it establishes the *format, security and confidentiality measures, and the procedure for the transmission of data, exclusively for statistical purposes, between the Commission (Eurostat) and national central banks, and between the Commission and the European Central Bank*. The data exchange has to be explicitly authorised by the appropriate national authority.

³ OJ L 76, 30.3.1993, p.1.

⁴ OJ L 67, 12.3.2009, p. 14.

⁵ OJ L 312, 27.11.2010, p. 1.

Derogations

Article 14 of the BR Regulation stipulates that, when business registers require a major overhaul, the Commission may grant a derogation at the request of a Member State for a transitional period that shall not exceed 25 March 2010. For agriculture, forestry and fishing, public administration and defence, and compulsory social security, and for the additional characteristics relating to enterprise groups, the Commission may grant a derogation at the request of a Member State for a transitional period that shall not exceed 25 March 2013. In total, derogations were granted to 15 Member States whose requests were justified and based on a legitimate need. This additional time allowed Member States to further adapt their national statistical systems and to bring them in conformity with the BR Regulation.

BR Recommendation Manual

In line with Article 7 of the BR Regulation, the Commission has published a recommendation manual for business registers, which explains the reasoning behind the provisions of the BR Regulation for a correct and consistent interpretation in all Member States. To this end, the already existing BR Recommendation Manual has been updated in close cooperation between Eurostat and the Member States, and its new version was published on 1st March 2010. It comprises:

- (i) The basics: Objectives, units, contents and access (chapters 1-10);
- (ii) Unit demography: Changes and continuity (chapters 11-16, 21-22);
- (iii) Contents: Updates and development (chapters 17-20);
- (iv) Guidelines for specific domains (chapters 23-24);
- (v) Specifications for the data exchange between Eurostat and Member States;
- (vi) Glossary for business registers.

The new version of the BR Recommendation Manual is a tool to obtain better solutions for the correct and consistent interpretation of the regulation by identifying and recommending good practices.

Financial support for Member States

In order to facilitate the implementation of the BR Regulation, Eurostat has supported Member States with grants to develop their national systems.

Trainings for Member States

Training programmes on statistical business registers organised by Eurostat were another means of supporting Member States in the implementation process.

4. Evaluation of the implementation of the BR Regulation

The main source of information on the implementation of the BR Regulation is the annual inquiry that Eurostat conducts in 30 countries (Member States and 2 EFTA countries – CH

and NO). In general, the annual inquiry covers mainly the qualitative aspects of the implementation and in particular the following areas:

- The sources used to update the business registers;
- The types of registered units (in particular the legal unit, the enterprise, the local unit and the enterprise group);
- The number of registered units;
- The coverage in terms of NACE Rev.2;
- The registration of “characteristics” (variables used in the business registers and listed in the annex to the BR Regulation).

It was foreseen that the important improvements in quality, which are the main objectives of the BR Regulation, would increase the costs for National Statistical Institutes and the administrative burden on respondents. It was expected that this effect would be very different from one country to another, given the different stage of development of each national business register.

In 2013, additional ad hoc questions on costs for the statistical system and burden on businesses related to the implementation of the BR Regulation were included in the questionnaire.

Unless indicated otherwise, the content of the following sections results from the annual inquiries (responses of the 2 EFTA countries included) as well as from some administrative records on grants that were awarded by Eurostat to Member States.

4.1. Costs for the statistical system

4.1.1. Costs incurred by the National Statistical Institutes of responding countries

The costs for the European Statistical System to operate their business registers for one year, and the supplementary costs resulting from the changes of the BR Regulation can only be roughly estimated and most countries either provided only partial information or were not able to provide any figures at all.

This is explained i.a. by the fact that the harmonisation of the statistical business registers is a long and gradual process that was started by the repealed BR Regulation and it is still ongoing.

For many countries (18) it was not possible to precisely isolate the costs associated to the implementation of the BR Regulation from a larger pool of general costs (e.g. overall redesign of the IT system, shared personnel between multiple domains etc.). Some countries performed individually developments of the national business registers so they were already compliant with the BR Regulation at the moment of its entering into force.

According to the National Statistical Institutes, the main expenses refer to the IT developments needed in order to comply with the BR Regulation as well as additional staff costs.

A better indication was obtained in qualitative terms. All 30 countries replied and the overall results showed that in about 75% of the cases the cost of implementing the BR Regulation was estimated none, negligible or moderate, and that only in about a quarter of the cases the impact was described as substantial. Some Member States indicated that the implementation of the BR Regulation did not result in any additional costs as they had already met the requirements prior to this implementation.

Table 1: Cost estimates by National Statistical Institutes

Cost estimate	Number of countries	Percentage of legal units covered (2013 survey)
None or negligible	16	54.0%
Moderate	7	18.8%
Substantial	7	27.2%

Most countries felt that the implementation of the BR Regulation did neither reduce the costs for launching surveys (28 over 30 countries) nor the time required for these surveys (29 countries).

4.1.2. Financial support granted by Eurostat

Taking into consideration the different stages of development of statistical business registers in the Member States and the costs implied by the implementation of the BR Regulation, the Commission provided funds to support the Member States. These have to be taken into account when evaluating the overall cost of the statistical system.

Most of the projects were targeted at the set-up or redesign of the business register, and/or the improvement of its coverage.

The focus of the 2008 – 2013 grants was on the development of national business registers in order to improve their communication with the EGR. The general objectives of these grants were as follows:

- Development and testing the matching of the EGR data with the national business registers;
- Definition of national preference and priority rules for the EGR;
- Interaction between the central EGR register and the national statistical business register environments;
- Development and implementation of methods and tools for the EGR at national level.

Total amounts of the grants awarded to Member States⁶:

⁶ For more detailed information on the Member States having received financial support from Eurostat and on the exact amounts paid, please refer to the Annex to this report

Year	Amount paid (EUR)	Main area of support
2008	352 850	Quality, system development (source and processes)
2009	370 793	Quality, system development (processes)
2010	440 579	System development (processes)
2011	354 765	Coverage, system development (source and processes)
2012	66 937	System development (processes)
2013	606 366	System development (source and processes)
Total amount paid	2 192 290	

The above mentioned amounts contributed to improve the capacity of national business registers to provide information on multinational enterprise groups to the EGR.

Member States also received support for the implementation of a more efficient way of using the data already existing in the economy by simplifying data collection in order to avoid double burden on businesses and improving quality of statistical information. This was done by the means of: on-line data collection, automated integration of data from different registers, automatic export of the statistical data from companies' accounts into electronic questionnaires etc.

4.2. Burden on businesses

The expected initial increase in the burden on businesses proved to be very different from one country to another and quite difficult to measure. The most important and encouraging finding was that the burden did not reach in any case a level generating major problems to the respondents.

The great majority of the answering National Statistical Institutes were only able to provide qualitative assessments.

For roughly 70% of the legal units covered by the inquiry, National Statistical Institutes reported no increase of the burden on businesses. For 2 countries the BR Regulation meant even a reduction of burden.

For roughly 30% of the legal units the National Statistical Institutes felt that the implementation of the BR Regulation increased moderately the burden on businesses.

There were cases of countries where the burden increased in the first years of implementing the Regulation, related to the fact the sectorial coverage was extended, as well as to the need to cover additional variables at enterprise group level.

Table 2: Assessment by National Statistical Institutes of the change in burden:

Overall assessment by National Statistical Institutes of the change in burden on businesses	Change in burden on businesses	Number of countries	Percentage of legal units covered
	- (burden reduced)	2	5.7%
	0 (no change)	18	63.5%
	+ (burden increased moderately)	10	30.7%
	++ (burden increased substantially)	0	-

In almost all countries (29) the BR Regulation had no impact on the number of surveys addressed to businesses and on the simplification of the existing ones. 23 countries responded that no additional questions had to be included in the existing surveys.

4.3. Benefits of the BR Regulation (national and ESS level)

The implementation of the BR Regulation proved to be beneficial for the quality of statistical business registers and allowed moving forward important steps towards the statistical measurement of globalisation.

The main benefits at national level reported by National Statistical Institutes can be summarised as follows:

- increased data accuracy in individual statistical domains (9 countries)
- coordination among different statistical domains (13 countries)
- a more complete picture on public enterprises (7 countries)
- input for the national enterprise group register (19 countries)
- harmonisation in the area of enterprise groups (15 countries)
- improved tools for analytical purposes (7 countries)
- improved tools for data dissemination (2 countries)

Moreover, the implementation of the BR Regulation implied a more efficient use of administrative sources for 15 countries, led to a more extensive use of commercial sources for 7 countries, and meant the use of additional administrative resources for 13 countries.

Some countries underlined the fact that with the information on enterprise groups it was possible to compile inward foreign affiliates' trade statistics on the basis of already available data, so that no survey/additional questions were necessary.

The most relevant benefit of the BR Regulation was at the level of the whole European Statistical System. The development of the EGR is a crucial step for the development of

accurate and comparable European enterprise statistics and for the production of statistics on globalisation.

The BR Regulation and the inclusion of information about the control of legal units in business registers have permitted to achieve a situation where the structure of multinational enterprise groups operating in the EU and their national parts are currently mapped either in the national business registers or in the EuroGroups Registers, and Member States have established procedures to cooperate for improving data quality.

Other benefits arose from increasing coherence and harmonisation at the level of the European Statistical System. Based on the BR Regulation, important development steps comprise project work on micro data linking and data warehousing, and the launching of the European Profiling of large and complex enterprise groups.

Additional issues

When defining an enterprise (the statistical unit most business statistics refer to), most Member States focus on the legal unit only. This practice has a negative impact on the relevance, accuracy and comparability of European business statistics as it is translated into an increasing gap between the economic reality and its statistical description (e.g. the number of enterprises is overestimated).

The BR Regulation initiated a collaborative process, which extended beyond the usual interaction 'Commission (Eurostat) - Member States'; it also required a strong coordination and cooperation among Member States in the fields of communication, sharing of experiences and working practices. In addition it paved the way for a more efficient and extensive use of administrative sources and the exploitation of additional administrative and commercial sources.

Another result of the implementation of the BR Regulation was the publication of the 'BR Recommendations Manual' as a tool to encourage improvement in quality, consistency and comparability of the principles and contents of business registers in the Member States. The manual was updated in close cooperation with the Member States.

Further developments

Work is underway in the European Statistical System to promote a consistent implementation of the Statistical Units Regulation across Member States. This includes work on a common approach for the treatment of multinational enterprise groups.

The BR Regulation laid the basis for a more accurate and comparable system of statistical business registers, contributing to the increase in consistency and quality of the information provided. This work has not finished but continues with strengthening the backbone functions of business registers in the envisaged Framework Regulation Integrating Business Statistics. The aim is to provide the pre-requisites for the horizontal and vertical integration of statistical data on businesses and pave the way to the reduction of burden for businesses and costs for the National Statistical Institutes.

5. Conclusions

The balance between relevant benefits on one hand and moderate costs for the system and burden on business on the other hand leads in general to a positive assessment of the

implementation of the BR Regulation, even if the difficulties encountered with regard to the implementation of the definition of the enterprise according to the Statistical Units Regulation affect the implementation of the BR Regulation.