

**COST ASSESSMENT:
THE "EUROPEAN BUSINESS TEST PANEL"**

UNICE COMMENTS

The "Action Plan for the Single Market" provides for the Commission to draw up a programme for simplification of legal provisions. This also includes the proposal to set up a "European Business Test Panel". Its task would be to help the Commission to assess the costs implied by new legislative proposals and their consequences.

UNICE attaches great importance to cost assessment. It is a means of passing better legislation given that, in a period of scarce resources, it is particularly necessary for new measures to achieve the right balance between costs and benefits.

In recent months a UNICE working group has studied international experience with cost assessment, paying particular attention to the USA, Great Britain and Denmark. The "European Business Test Panel" follows the Danish model. The questions put to this group should pinpoint how a legislative proposal will affect individual companies.

UNICE has discussed the advantages and drawbacks of such a system and come to the following provisional conclusions:

1. The primary objective must continue to be an assessment of the costs of a legislative proposal for private enterprise seen in relation to respective benefits. Yet, the "European Business Test Panel" would represent only a smallish number of companies in EU Member States. Its responses would reveal only a partial picture of the total costs and thereby give only a first impression of the costs that a given measure would impose on the economy.
2. As long as this limitation is borne in mind, questions to a group of companies can still be useful. But this procedure should only be used alongside assessment of the total costs ascertained using other models. It would then resemble what is in place in Great Britain where general compliance cost assessment is complemented by a "litmus test", i.e. consultation of a number of smaller firms. The additional test checks the plausibility of the compliance cost assessment, and pays particular attention to the situation of smaller firms. Such a two-tier procedure should also be considered for the European Union.
3. The "European Business Test Panel" should assess not only the administrative costs imposed on companies, as in Denmark, but total compliance costs. However, UNICE doubts whether the benefits of a measure can be assessed in this way. Not infrequently, the costs fall to companies

while the benefits are felt elsewhere (e.g. technical expenditure to improve air quality). For the assessment of benefits, it is also necessary to develop hypotheses and to have access to statistics or scientific studies, and this may not be possible for individual companies. Thus, the "European Business Test Panel" could not be used to produce a general cost-benefit analysis, but in UNICE's view must limit itself to assessing costs in terms of money and time.

4. When a proposal is being examined, several questions arise to which UNICE can give no conclusive response.

The composition of the "European Business Test Panel" should be coordinated with business associations. The panel should also include representatives of larger concerns. UNICE believes that random selection is not a sensible approach since the panel must be balanced in terms of countries, sectors and company size.

Membership of this group should not impose unreasonable costs on participating companies. For that reason, a special effort should be made in the preparation of questionnaires and interviews. In addition, since companies must continue to deal with their day-to-day activities, they should be given sufficient time to react to Commission proposals.

The conclusions that can be drawn from the individual results would also have to be discussed. UNICE believes it would be difficult to use such results to produce an aggregate bill for the costs to the economy of a country, let alone the European Union.

In the face of these difficulties thought should be given to whether a "European Business Test Panel" should comprise members from all EU Member States. UNICE believes it might be more effective, in the early stages, to limit the composition to a few countries in order to build up experience with the use of this new instrument. However, once the system has proved its worth, it will be crucial that all Member States are involved in the process since many differences persist between them in important areas of legislation.

UNICE is willing to take part in discussions on this project. It is encouraging that the Commission is working to put workable cost assessment in place. It is essential for practical steps to be taken as rapidly as possible. Experience in other countries shows that it is unrealistic to hope for a perfect system from the outset. The principle of "learning by doing" should lead to success.

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