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ASSESSING THE COST OF LEGISLATION*A proposal to the European Parliament
by European industry*

1. UNICE and a number of national industrial federations have been working for years to convince the European legislator of the need for effective assessment of the cost of legislation. While successes have been booked in a few Member States, discussions with the European Commission have led nowhere. Instruments such as the impact assessment form or consultation of business test panels are no substitute for proper cost assessment.

In this context, the European Parliament invited the European Commission, in a resolution dated 24 April 1997, to calculate the costs to business of all future measures. To little avail.

2. The purpose of assessing the cost of legislation, as advocated by European industry, is to determine the likely impact of a measure on business, expressed as a monetary amount. This differs from the impact assessment form, which is limited to a mere description of the possible consequences for smaller companies, and from the business test panel, where randomly chosen companies are asked mainly about administrative costs but other compliance costs are disregarded.

At a time of scarce resources, it ought to be an important task of the European Parliament to insist on an assessment of the costs occasioned by measures on which Parliament is expected to take decisions. Cost assessment should become an indispensable tool of the European legislator.

3. The cost of a piece of legislation has to be weighed against its benefit. For that reason, both should be assessed and the resulting amounts set against each other. However, international experience shows that it is easier to start with the cost side and to concentrate not on society as a whole but on business, whose competitiveness needs to be strengthened.

European industry therefore proposes:

- cost assessment as a tool for the legislator, not as a brake on legislation;
- as a first step, assessment of the cost to business of compliance with a measure, subsequently extension to include other costs and the benefit of a measure;
- assessment, not detailed calculation of costs, but indication of the estimated costs expressed as a monetary amount;

- preparation of this assessment at the earliest possible stage of the legislative process, and at the latest by the time a proposed instrument is officially presented.
4. It is European industry's view that the task of assessing the cost of legislation should not be left to the European Commission. The Commission obviously has no real interest in this exercise. It would be preferable for the European Parliament to take cost assessment into its own hands, since this is the only way to ensure the necessary independence and neutrality. Thought needs to be given to the practical arrangements. Industry is convinced that this is a necessary condition for the success of cost assessment.
 5. What has to be done?

There is no need to re-invent the wheel. OECD has ascertained that more than two dozen countries carry out cost assessment. A great deal can be learnt from their experience.

Particularly impressive in this respect is the performance of the Congressional Budget Office within the US Congress, where a small number of persons draw up useful analyses in a few days. But valuable material could also be collected from Great Britain, Canada or Australia.

With an eye to benchmarking, it would be a good idea if MEPs were to learn particularly from practice in the USA. European industry is certain that this would steer efforts to apply cost assessment in the European Union in the right direction.

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