



January 2016

## Reduction of the PRODCOM list from 8-digit to 6-digit level

### KEY MESSAGES

- 1** Reducing the PRODCOM list from 8-digit to 6-digit level as intended by Eurostat would imply a massive loss of information for companies which rely on in-depth information for strategic corporate and entrepreneurial decision-making.
- 2** Companies that use PRODCOM data for their purposes need data that comes in its level of detail as close as possible to the goods they produce. The proposed alignment of PRODCOM with the CPA (the Classification of Products by Activity) would lead to a loss of information since the CPAs designations deviate from that of the (known) PRODCOM.
- 3** A large number of companies, especially SMEs, already today report only a small number of PRODCOM positions. A reduction in the level of detail would hardly be noticeable to them. Larger companies, on the other hand, use internal reporting systems, which would have to be adapted, implying a great deal of effort. The burden reduction that Eurostat intends to achieve would therefore be hardly attained.

### WHAT DOES BUSINESSEUROPE AIM FOR?

- *We represent enterprises in their function as reporter as well as user of statistical data. Easing the burden of reporting is important for enterprises, but it should not be an end in itself.*
- *Maintaining accurate and high quality information provides more than ever an important competitive advantage for enterprises and is vital for business success.*



It is a key objective of the European Statistical System (ESS) to create high-quality European statistics, which are based on uniform criteria and definitions, and to make these statistics available to all interested parties in a timely manner. Of central importance are also all efforts to keep the administrative burden of statistics as low as possible. In this context, two initiatives of the European Commission were launched, namely the Framework Regulation Integrating Business Statistics (FRIBS) and the Regulatory Fitness and Performance Programme (REFIT). Within the scope of these two initiatives, a project to revise PRODCOM was proposed. At its core, the project envisions an alignment of PRODCOM with the CPA (the Classification of Products by Activity), while at the same time reducing the level of detail from 8-digits to 6-digits.

According to Eurostat, this would lead to a substantial burden reduction for respondents. In addition, Eurostat notes that more statistical information would be available, since confidentiality issues would decrease.

The European business community considers it unrealistic these goals will be achieved by the initiative. The proposed changes would lead to a noticeable loss of information. In particular in this day and age, timely, detailed and high-quality data represent an important competitive advantage and are of crucial importance for corporate success.

- A reduction of the PRODCOM list from 8-digit to 6-digit level would imply a massive loss of information for companies. For strategic corporate decisions as well as for entrepreneurial decisions, detailed information on goods is indispensable. Market analyses and considerations about product development could no longer be carried out in a targeted manner without sufficiently detailed information.
- Companies that use PRODCOM statistics for their purposes need data that comes in its level of detail as close as possible to the goods they produce. The more their goods are lumped together with other goods, the less useful such statistics become. An alignment with the CPA would therefore lead to an information loss since its designations deviate from that of the (known) PRODCOM.
- A large number of companies, especially small and medium-sized enterprises, already today report only a small number of PRODCOM positions. A reduction in the depth of detail would hardly be noticeable for them. Larger companies, on the other hand, use internal reporting systems, which would have to be adapted in case of a change, which would in turn entail a great deal of effort. The burden reduction that Eurostat intends to achieve would therefore be hardly attained.



- It is hard to follow Eurostat's reasoning that reducing the level of detail would actually provide significantly more information as confidentiality issues would no longer be present to such an extent. While a reduction of the PRODCOM list may indeed imply a limited reduction of confidentiality gaps on 6-digit level (given that information on 8-digit level, which in some cases may currently not be published due to confidentiality issues, could then be published as an aggregate on 6-digit level), a reduction would at the same time imply an overall loss of information as 8-digit positions, currently accessible in compliance with Eurostat's disclosure rules, would cease to exist. A further concern regarding Eurostat's current draft is that in some cases positions would be aggregated from 8-digit to 6-digit level without coherently belonging together as regards their content.

The European business community is therefore clearly opposed to the harmonization of PRODCOM with the CPA and a reduction of the level of detail. A burden reduction for business is more likely to be achieved both by not changing the headings of the PRODCOM list over a longer time-span and by clarifying existing definitions.