

## **Verbal opening statement by DG CSO**

**Joint Committee on Finance, Public Expenditure and Reform, and Taoiseach**

**May 4, 2017**

CSO attendees:

Pádraig Dalton, Director General

Jennifer Banim, Assistant Director General, Economic and Environmental Statistics

Joe Treacy, Director Business Statistics

Orla McCarthy, Senior Statistician, External Trade

Tara Davis, Senior Statistician, Short Term Statistics

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At the outset, I wish to thank the Chairperson and the Committee for inviting the Central Statistics Office here today. I am accompanied by my colleagues Jennifer Banim, Joe Treacy, Orla McCarthy and Tara Davis.

The draft Regulation on European business statistics, amending Regulation (EC) No 184/2005 and repealing 10 legal acts in the field of business statistics is part of the REFIT Programme, the European Commission's regulatory fitness and performance programme for making EU law simpler and reducing unnecessary regulatory costs. Business statistics has been identified as a priority area under the REFIT programme.

The draft regulation is known by the acronym FRIBS – Framework Regulation Integrating Business Statistics.

The draft Regulation envisages the integration of statistical requirements and legal acts for business statistics by streamlining and simplifying them, leading to an intended reduction of the reporting burden on businesses.

The current system for producing European business statistics is fragmented into separate domain-specific regulations, leading to inconsistencies in the data collected and inefficiencies in their production. FRIBS will provide a common legal framework for the production and compilation of ESS business statistics.

The CSO can support the broader aims of the proposal particularly relating to the rationalisation of the relevant legislation and the focus on burden reduction for respondents.

However the CSO is extremely concerned on an aspect of the Regulation which makes a provision for the mandatory exchange of confidential identifiable enterprise level data between National Statistics Authorities (which in the context of Trade Data compilers can include National Central Banks and National Customs Offices) in the EU while usage is optional. The inclusion of “optional usage” is a pragmatic decision reflecting the reality that the asymmetries in trade data are significant (i.e. exports captured by Country A to Country B don’t match import data of Country B from Country A). It is anticipated, for at least the medium term that the collection of both export and import data will be required to ensure quality hence the optional usage clause.

This provision would involve the CSO in having to share sensitive, commercial information such as exports of a particular multinational with a Statistical Authority of another EU member state.

The essence and ultimate goal of this aspect of the proposal is that Trade Data compilers would eventually only collect data on the export side and that the amalgamation of the exports from the other 27 member states would provide the import data for any given country. In this environment compilers of trade data would be dependent on 27 other statistical organisations spread across the EU.

The rationale being put forward for this initiative revolves around burden reduction and quality improvement especially in a globalisation context. The CSO do not believe that the proposal will address either of these objectives in a meaningful way.

On the burden side, the provisions set out that while the exchange of identifiable enterprise level data on exports is mandatory; the usage by individual member states is voluntary. It is widely accepted that in the medium term most member states will continue to collect both export and import data. The overall burden on exporters will be increased in the medium term under this proposal, as the VAT number of the counterpart to the transaction (i.e. the VAT number of the importer in the trading country) will need to be supplied by the exporter

to allow for meaningful use of the exchanged data. The burden issue therefore can and will only be addressed if Member States stop collecting the import data.

Aside from the burden issues outlined, the mandatory exchange of identifiable microdata could seriously impede the CSO's ability to collect such important commercially sensitive data from the large multinationals which are so critical to compiling Ireland's economic statistics, including the National Accounts. The guarantee of confidentiality that CSO provides to respondents is critical to building trust and ensures that enterprises feel secure in providing accurate information on a timely basis. The CSO's view is that this Regulation poses a serious risk to the relationship with respondents and may compromise the CSO's ability to compile accurate business and economic statistics. In the CSO's engagement with stakeholders, IBEC and a number of Irish based multinationals have expressed concerns about the proposals.

In addition the CSO has concerns relating to quality. One of the arguments put forward by the Commission relates to the need to share data to get a better insight on globalisation. In Ireland, to take account of our highly globalised economy, the CSO coordinates the collection of all enterprise-based statistics (Structural Business Statistics, Short Term Statistical returns, Trade Data, Balance of Payments Data and Corporation Tax data) through one unit (the Large Cases Unit) to ensure consistency at Enterprise or Company level across the various statistical domains. This approach of having a dedicated Large Cases Unit is the exception across Europe rather than the norm.

In the absence of such a coordinated approach, and timely access to all of the relevant data sources including export and imports of goods, it would be difficult to compile data that is nationally consistent across these domains. It is the CSO's view that in the absence of this coordinated approach, the quality of the data being shared across Member States could be of limited use.