

# Intrastat simplification: why not to embrace the single flow

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## Summary

To reduce the administrative burden on enterprises has had very high priority in the political agenda since several years. In this context, Intrastat survey has been looked at by the European Commission as one of the statistical fields where to push further the process of simplification, due to the claimed important burden on enterprises, specifically micro and small ones, associated to it.

Eurostat, together with the Member States, took on board this task and made an in depth analysis of possible simplification's methods. The *single flow* and *changing the exclusion thresholds* have been the two studied alternatives.

This paper illustrates the motivations that brought to the final decision, supported by Italy, of *changing the thresholds*, rather than applying the *single flow*.

After a short introduction on the framework where this discussion took place, the very argument of Intrastat being burdensome for many firms will be questioned. Indeed, it will be shown that the available results concerning the attempt to measure Intrastat burden at European level do not lead to any definite conclusions.

Hence, the two methods will be explored. Specifically for the *single flow* the absence of the fundamental preconditions of its application will be explained, one of this being the existence of important asymmetries within European data.

For both options, the impact on data quality will be analysed. A particular focus will be on the loss in terms of value and of number of goods codes, and on enterprises' burden release; the latter is measured with the number of exempted respondents at national and European level.

The conclusion is that the *single flow* solution still presents too many problematic aspects, and the chosen option of making the exclusion thresholds higher is, for the time being, the most reasonable one.

## 1. Background

### 1.1 Intrastat system

The Intrastat system, started in 1993, has been granting a full and articulated set of information on trade between EU Member States. So far, these statistics are based on each country reporting both import and export flows. Hence, at European level, each flow is reported twice, once in the exporting country as dispatches and another in the importing country as arrivals.

Intrastat simplification is not a new idea, since its beginning, significant effort has been invested in reducing burden on enterprises: thresholds were introduced and increased to exempt a large number of companies, work has been done on the combined nomenclature<sup>1</sup> (CN8) to reduce the number of headings, some information were made optional and simplified reporting for complex products was foreseen. As a matter of fact, at present only about 20% of companies involved in intra-EU trade are required to report. Nevertheless, it seems like Intrastat is still considered quite burdensome in several Member States and hence new simplification strategies are needed.

### 1.2 Political context

Shaping a "better regulation" agenda is part of the Lisbon strategy. It is there foreseen to *promote initiatives to simplify programmes, procedures and the regulatory environment and cutting red tape*.

The European Commission has proposed an ambitious strategy to measure administrative costs and reduce administrative burdens in the EU, which includes the adoption of a joint EU target for reducing these burdens by 25% overall in the medium term.

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<sup>1</sup> For Intrastat goods are classified according to the Combined Nomenclature at 8 digit as defined by Regulation CE 1031/2008 modifying CEE 2658/87, published in the Official Journal L291 del 31/10/08

In this context, the Communication from the Commission to the European Parliament and the Council on reduction of response burden, simplification and priority-setting in the field of Community statistics, dated 14 November 2006, lists several initiatives and targets, among which Intrastat, that has been indicated as one of the main area where to find opportunities for further simplification.

In November 2006, the Ecofin has explicitly invited the European Commission to “*analyse the feasibility of a single flow method and alternative methods which would deliver broadly the same results, as well as transition issues and taking this analysis into account, to present a precise road map to further progress to the Council of October 2007*”.

Eurostat, as the competent Commission Directorate on this topic, took the leadership of this task, organizing different working groups with the participation of several Member States, in order to map and implement a feasible simplification plan. The work leaded by Eurostat, carried out during 2007 and part of 2008, has been very accurate, the result being a new version of the base regulation for Intrastat<sup>2</sup>.

Italy participated to the *simplification working group*, in charge of proposing and evaluating different alternative strategies, measuring also their impact on data quality.

In a European Union without borders, pursuing the total free circulation of people and goods on its territory and with a growing integrated European single market, the suggested idea of a so called *single flow* (SF) makes perfect sense. Such a system would be based on all countries reporting only one flow (i.e. dispatches), obtaining the other (i.e. arrivals) by the mirror flows (i.e. dispatches) declared by the partner countries.

In principle, Italy recognizes this as being a desirable solution, nevertheless with still many differences among Member States' collection practices, the application of this method seems to be too risky at the moment, with dramatic consequences in terms of loss of data quality and timeliness.

In the following it will be questioned whether it is methodologically correct to assert that Intrastat is so burdensome and it will be explained why the application of the SF is still hazardous.

## **2. Measuring Intrastat related burden**

The very assumption supporting the need of further reduction of the Intrastat requirements is Intrastat being *very burdensome* on business. Indeed, at European level this very popular statement seems to not be supported by almost any concrete and reliable data. So far, it looks like there has not been any comprehensive study which, in a methodologically sound and representative way, assessed the reporting burden on companies resulting from Intrastat. Anyway, if any result could be mentioned, is the one asserting that administrative burden generated by statistical reporting is generally very limited. There have been few initiatives by Member States to measure Intrastat related burden, but the results are not comparable as the studies tackled different aspects and also differ in terms of their quantitative and qualitative coverage.

A coherent methodology to measure the reporting costs should be developed and used; some insight in this direction can be found in the Commission Communication on *Better Regulation for Growth and Jobs in the European Union*.

On these bases, SF seems more a very well marketable political statement, rather than the solution to a well measured problem. Anyway, keeping in mind the limitations mentioned above, in the following some available results will be reported.

In 2005 a pilot study on Intrastat burden was started by Eurostat and carried out via the Commission's European Business Test Panel (EBTP)<sup>3</sup>. This is a European sample which includes about 3600 companies. For the purpose of this exercise, the actual sample was reduced to 2600, after excluding companies in the financial sector, from Norway and Iceland. However only 270 questionnaires could be used, as many of the contacted companies were not Intrastat respondents.

Besides the very modest number of replies, no responses at all were received from 5 Member States, and an insignificant number from 7 other Member States. More than half of the questionnaires came from 6 countries (Poland, Hungary, Germany, Ireland, the Netherlands and Belgium). Hence, the results are *geographically* biased, and mostly portray Intrastat practices in those Member States.

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<sup>2</sup> Regulation (EC) No 222/2009 of the Parliament and the Council of 11 March 2009 amending Regulation (EC) No 638/2004 on Community statistics relating to the trading of goods between Member States

<sup>3</sup> For more information on EBTP you may consult the website: [http://ec.europa.eu/yourvoice/ebtp/faqs/index\\_en.htm](http://ec.europa.eu/yourvoice/ebtp/faqs/index_en.htm)

Consequently, much caution should be used in reading the few conclusions<sup>4</sup> listed below as their statistical representativeness is questionable.

- The average reporting time of the sample was about 11.5 hours per month, but the median value of 5 hours, indicates a strongly skewed distribution of responses. The very high standard deviation (about 15 hours) reflects the large variability of the replies.
- The reporting time for arrivals is about twice that of dispatches.
- Reporting is made electronically in the majority of the larger enterprises.
- A majority of respondents perceive Intrastat burden as having decreased over the past 10 years and are confident that it will continue this way in the future.
- More than 70% of respondents find Intrastat reporting somehow burdensome. Only 7.4% find it not burdensome at all.
- More than 70% of respondents can distinguish, with more or less difficulties, the administrative obligations specifically linked to Intrastat from the total, but only 30% can do it easily.
- Only about 10% of respondents actually use the Intrastat data published by Eurostat or by Member States.

In 2007 Eurostat organized a survey on Intrastat suppliers' satisfaction, asking Member States to volunteer their participation. Some 3350 companies from 14 Member States were involved. The questionnaire was designed to assess the level of burden created by Intrastat forms, the degree of satisfaction of the companies with the actual system of data collection and, finally, the opinion of the respondents on possible Intrastat simplifications. The main results are reported below:

- On average 90 lines are reported in Intrastat forms, with a great variability among Member States: from 180 in Austria to 34 in Slovakia.
- More commodity codes are used for arrivals than for despatches.
- About 66% of the companies use Internet tools to fill up Intrastat forms, only 6% still submit paper declarations.
- About 50% of the respondents still fill Intrastat forms manually.
- 85% of the interviewed companies are satisfied with the way they submit Intrastat forms.
- 80% of the respondents think that Intrastat forms are easy to fill in, and 73% declare that the time spent to fill in the declarations is reasonable.
- The majority of respondents pointed out the CN8 code as the most difficult part of the declarations; consequently 77% of the companies support as simplification strategy a reduction of the CN8 codes.

From this survey the level of satisfaction of the data providers appears quite high, somehow contradicting the assumption of Intrastat being very burdensome.

Finally, Vera Herrmann and Claudia Junker<sup>5</sup> report in their work a summary of the main results of studies carried out at Member State level, below the more interesting ones related to the topic of the paper are listed.

- The share of Intrastat in the total administrative burden is extremely small, for example 0.15% in the Netherlands and 0.6% in the UK. The declarative burden of Intrastat is comparatively quite small, and for the Member States whose administrations have set global burden reduction targets (Netherlands 25%, UK 10%) the contribution of Intrastat simplification in order to reach this target will be negligible.
- The opinion that businesses themselves see the simplification of Intrastat as a priority is at least questionable: the answers to the different surveys on the subject are surprisingly low key and the pressure comes rather from the political authority and the administration than from the business community itself.
- The increasing use of automated systems allied with simplification measures and raising of exemption thresholds have reduced the business burden for most reporting units.
- The most burdensome field to complete is the CN8 code of the product. In countries where a classification tool is provided alongside the electronic declaration tool, the perceived burden is noticeably lower.

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<sup>4</sup> For the complete report: [ec.europa.eu/yourvoice/ebtp/docs/intrastat\\_report\\_en.pdf](http://ec.europa.eu/yourvoice/ebtp/docs/intrastat_report_en.pdf)

<sup>5</sup> The list is taken from: Vera Herrmann and Claudia Junker, *Reduction of response burden and priority setting in the field of Community statistics - initiatives at the European level*, Proceedings of Q2008 European Conference on Quality in Official Statistics

In 2006, also ISTAT has carried out a small ad-hoc survey on the administrative costs for Intrastat respondents<sup>6</sup>. 985 companies were contacted and 531 replied. The main results concerning the issues of this paper are the following:

- For about 30% of the companies it is not possible to extrapolate the part due to Intrastat from their total administrative costs; 9% could do it with many difficulties and 19% with some.
- To the question “How much is Intrastat burdensome?”, 10% replied “not at all” and 39,9% “a little bit”. Thus, 50% of businesses find Intrastat a little burdensome.
- 69,5% of the companies point out the NC8 code’s attribution as the most difficult part of the Intrastat form.

### 3. Two possible alternatives

The *simplification working group* organized by the Trade Statistic Units at Eurostat analysed mainly the *single flow* (SF), as requested by the Ecofin and some Member States, and as an alternative the possibility of *increasing the exemption thresholds* (ET). As any strategy reducing the amount of information collected, both methods present some flaws; nevertheless, the advantages of ET make this option much more appealing than the SF.

#### 3.1. The single flow method

As described above, the SF foresees that all countries would report only one flow, obtaining the other from the mirror flows declared by the partner countries; these two values theoretically should be equal (i.e.: imports declared by Italy from France should be equal to exports reported by France to Italy). Whenever this does not happen, it is described as an *asymmetry*.

Specifically, it has been decided that if the SF will be implemented, the flow to be reported should be the dispatches; this is mainly because in terms of exempted respondents it has been proven to obtain better results and, in general, Member States perceived it as the most reliable flow.

Consequently, with the SF, at European level all asymmetries would be cancelled by default. Each country should relay for dispatches on its national figures and for arrivals on the dispatches collected by the other 26 potential partner countries.

This scenario is far from being optimum for different reasons. As first example let’s consider the following table:

**Table 1 - Italian data versus main partners – 2007**

Partner country	IMPORT				EXPORT			
	IT IMPORT	Partner EXPORT (mirror)	Value difference (exp-imp)	% difference (exp-imp)/imp	IT EXPORT	Partner IMPORT (mirror)	Value difference (exp-imp)	% difference (exp-imp)/imp
GERMANY	63.721.312.066	64.393.426.547	672.114.481	1,1%	47.253.952.342	44.791.942.318	2.462.010.024	5,5%
SPAIN	16.201.108.253	16.474.829.990	273.721.737	1,7%	27.369.203.544	24.740.993.703	2.628.209.841	10,6%
FRANCE	34.048.021.807	36.216.942.093	2.168.920.286	6,4%	41.991.088.833	38.438.859.029	3.552.229.804	9,2%

Source: Comext database, data extracted on 7/7/2009

From table 1, it is easy to detect one of the main problems of the SF. Due to still existing large asymmetries in European data, estimation of Italian import from France, in 2007, with French dispatches to Italy would have resulted in an overestimation of 6.4%. In the same way, using Italian export to obtain Spain import from Italy would have inflated the real value of 10,6%.

Another good example of potential problems linked to the SF is given in table 2, prepared by Eurostat as background documentation for the *simplification working group*.

<sup>6</sup> Vincenzo D’Alberti, 2007, *Survey on the administrative costs for Intrastat respondents*, Edicom III Project – Action 8B.

**Table 2 - Impact of the SF on Italian imports in number of CN8 codes and value – 2005<sup>7</sup>**

	Value in million €	%	number of CN8 code	%
<b>TOTAL IMPORT IT</b>	178.545	100%	2.835	100%
<b>Common CN8 codes</b>	+2.391	+1,3%	9557	97%
<b>Lost CN8 codes</b>	-128	-0,1%	-278	-2,8%
<b>New CN8 codes</b>	+1.108	+0,6%	+154	+1,6%
<b>New TOTAL: mirror EXPORT</b>	181.916	102%	9.711	99%

Source: Eurostat

From table 2 it is clear that, if for 2005 data, EU25 mirror exports would have been used to estimate Italian imports from EU25, the value would have increased of 2%, while the number of declared NC8 codes would have diminished of 1%.

Asymmetries are still a challenging issue for intra-Community trade statistics and they represent one of the main concerns when considering the SF. They may have different reasons: misclassification problems, different national practices to estimate late or non response and data below thresholds, application of confidentiality, differences in the adjustments for CIF/FOB values, Rotterdam effect, etc. For some Member States, the effects of asymmetries reach double digit figures (Table 4).

**Table 3 – Total asymmetries at European level (billion euros)**

	YEAR	IMPORT EU	EXPORT UE	(ESP-IMP)/IMP
EU25	<b>2005</b>	2.091	2.165	3,5%
	<b>2006</b>	2.358	2.436	3,3%
EU27	<b>2007</b>	2.584	2.655	2,7%
	<b>2008</b>	2.622	2.701	3,0%

Source: Comext, data extracted on 13/07/09

**Table 4 – Total asymmetries for selected countries (million euro) - 2007**

CONTRY	IMPORT			EXPORT		
	EU27 IMPORT	PARTNER EXPORT (mirror)	difference % (IMP-mirror)/mirror	EU27 EXPORT	PARTNER IMPORT (mirror)	difference % (EXP-mirror)/mirror
<b>ITALY</b>	206.532	222.173	-7,0%	221.142	215.453	2,6%
<b>FRANCE</b>	264.234	261.008	1,2%	332.913	311.103	7,0%
<b>GERMANY</b>	610.403	623.856	-2,2%	500.694	497.279	0,7%
<b>IRELAND</b>	63.161	56.276	12,2%	47.822	42.797	11,7%
<b>SPAIN</b>	128.915	130.792	-1,4%	189.511	179.004	5,9%

Source: Comext, data extracted on 13/07/09

Table 4 shows, for example, that if in 2007 Italian import from EU27 would have been estimated with intra community export declared to Italy, + 2.6% in value would have been obtained.

In addition to the already mentioned fundamental problem of the asymmetries, the reasons of scepticism toward the SF are numerous:

- The existence of still considerable asymmetries not only would create an important break in time series, but also negatively affect the confidence of the Member States in the partner countries' mirror data. Besides, there will be repercussions also on other important economical indicators such as balance of payments and on the estimation of National Accounts including GDP.
- Member States apply different exemption thresholds, specifically smaller countries use lower thresholds in order to achieve adequate coverage. Under the SF scenario, those countries may see their arrivals disappearing, being data below threshold in the partner countries. Hence to guarantee smaller countries, there should be an adjustment of the thresholds in the partner Member States which would again increase the reporting burden on businesses.
- Adjustment methods for trade below threshold and for non-response also differ between Member States, creating discrepancies between import and export data when using partner countries' statistical information.
- Compliance with timeliness according to European regulations<sup>8</sup> is not homogenous among Member States. Countries with late data would impact on the estimation of the arrivals of all

<sup>7</sup> 2005 data have been used because this has been a onetime exercise made by Eurostat within the *simplification working group* and no updated version is available.

their partners and it will make impossible to meet the actual deadlines. Again, there will be negative consequences also on both annual and quarterly National Accounts' estimations. These may require a more extensive use of forecast techniques which will imply more revisions of published data.

- There are considerable differences in the level of development of data collection systems across Member States and consequently different levels of data quality. Hence there would be, generally, an alignment towards a lower level of data quality, if SF would be used.
- National Institution, responsible for Intrastat data provision, will need to substantially change their production systems in order to adapt to the new data schema. They will lose control on the arrival data and, in case of doubts or potential errors, it will be mostly impossible to contact the respondent which will be in another Member States. Finally, it will be ambiguous to determine who is responsible for data quality, as the Member State that use and publish the data is not anymore the one that has produced them.
- There may be a problem of exchanging confidential data if the SF would be based on data at VAT number level. Despite the new statistical law foresees the exchange of confidential data among National Statistical Institutes, some countries still do not consider this as sufficient.
- The possible lack of information on arrivals at company level will make impossible the direct estimate of the *use table* and the coherence-analysis made by the National Account division between external trade data and companies' balance sheets data. This loss is still more important considering the strong pressure expressed within the GNI (Gross National Income) committee, to improve the description of external trade flows to better understand globalization phenomena.
- Dispatches and arrivals data use different definitions concerning the statistical value. Dispatches are recorded Free on Board (FOB), whereas arrivals are recorded Cost Insurance Freight (CIF). To obtain a coherent transformation of partner country data from FOB to CIF, it should be developed a European harmonized system of adjustments, which still does not exist.
- There is specific information gathered for national purposes on the arrival side, such as the region of arrival or the country of origin that will be lost with the SF.

Finally, if the implementation of the SF would be pushed before solving at least some of the problems mentioned before, there could be the solid possibility of countries continuing to collect arrivals data at national level.

This scenario is particularly realistic for Italy. As a matter of fact, Intrastat Italian system responds to both fiscal and statistical needs. In one single form data for VIES (Vat Information Exchange System) and external trade statistics are collected. Even if a SF idea would be applied to intra-Community trade data, there will be still the fiscal obligation in place, thus business will be exempted only from providing a part of the information and not from the compilation of the Intrastat form.

This would not only completely undermine the goal of business burden reduction, but also create discrepancies between European statistics, produced under the SF, and national figures. The incoherence between different sources will damage the confidence of users in external trade data.

Finally, about 17 Member States have carried out national studies to analyse the impact of SF versus ET, and the conclusions have been almost unanimous in support of ET, at least in the short period, even from countries like UK, DK, and NL where the political pressure for SF implementation is very strong.

### **3.2. Raising the exemption thresholds (ET)**

Up to 2008, Commission Regulation (EC) No 1982/2004, has foreseen that Member States could estimate up to 3% of the total value of each flow<sup>8</sup>, in order to exempt business with small values of intra-

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<sup>8</sup> European Parliament and Council Regulation (EC) No 638/2004 of 31 March 2004 on Community statistics relating to the trading of good between Member States. Commission Regulation (EC) No 1982/2004 of the European Parliament and of the Council on Community statistics relating to the trading of goods between Member States. Commission Regulation (EC) No 1915/2005 of 24 November 2005 amending Regulation (EC) No 1982/2004 with regard to the simplification of the recording of the quantity and specifications on particular movements of goods.

<sup>9</sup> This has been changed by the new Intrastat regulation: Regulation (EC) No 222/2009 of the parliament and the council of 11 March 2009 amending Regulation (EC) No 638/2004 on Community

Community trade. The part that is not collected, so called *data below thresholds (BT)*, has to be estimated and send it to Eurostat monthly. In practice, countries have applied this provision differently obtaining various coverage's levels.

Increasing the exemption thresholds will imply collecting less data and hence relying to a greater extent on estimation, with negative consequences on asymmetries. The impact of this loss of information can be remarkable on detailed data and have different impacts across Member States, thus also this strategy should be applied with caution. Nevertheless, it is not affected by many of the problems brought by the SF. As a matter of fact raising the exemption thresholds presents the following advantages:

- It has no negative effect on data timeliness.
- It has a very straightforward implementation.
- It does not imply any structural changes in the data production system.

In Italy, since 2007 yearly thresholds for detailed monthly data have been fixed to 180.000 euro for arrivals and 250.000 euro for dispatches. Data BT are estimated monthly. Due to the joint statistical-fiscal system, also companies BT have to provide yearly/quarterly aggregated fiscal data (only vat number, invoice value and partner vat number), hence in the final annual data revision, monthly estimates are replaced by the real total values.

Beside, each respondent should quarterly check whether its own intra-community trade values are still BT, the first quarter where at least one threshold is exceeded should correspond with the beginning of monthly detailed data transmission. In practice not all respondents send data according to thresholds. Some companies, despite having a small amount of intra-Community trade, provide monthly detailed data, probably because it is easier for their internal organization, or if it exceeds the threshold only for one flow, the other is treated in the same way. Vice versa, some large transactions above thresholds are found in the yearly or quarterly aggregated data, this could be for different reasons: business with only one single transaction in the reference year or those exceeding the threshold by the end of the year, hence monthly transmission is started from the following calendar year.

In the following table a simulation, based on 2007 Italian data for respondents that actually sent monthly detailed information, provides some insight on the use of different thresholds, in terms of exempted companies.

**Table 5 – Number of business needed to achieve specific coverage's levels – Italian data 2007**

	100%	99%	98%	97%	95%	93%	90%
<b>DISPATCHES</b>	153.550	50.416	48.119	32.680	23.331	19.043	14.451
<b>ARRIVALS</b>	280.690	58.259	49.010	31.351	21.864	16.330	11.462
<b>TOTAL</b>	351.740	85.997	73.673	48.989	35.744	28.320	20.987

Source: ISTAT

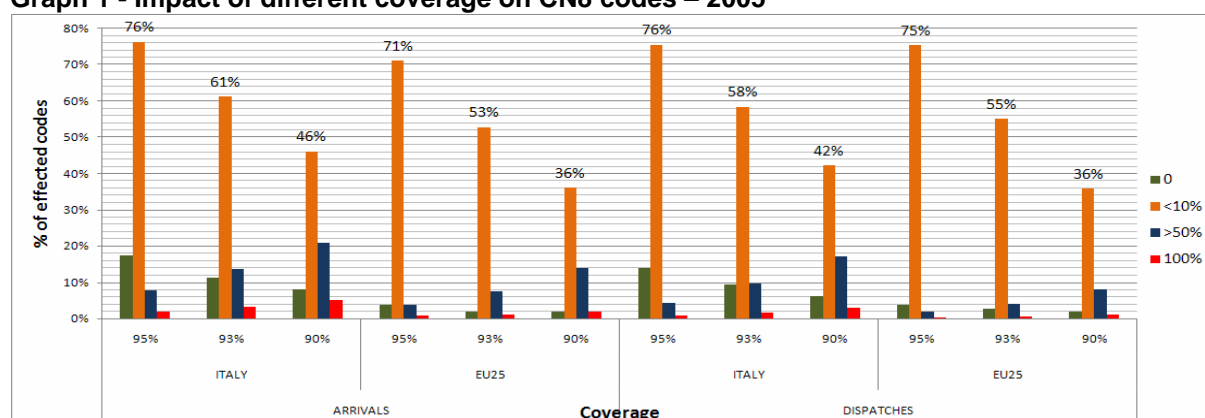
In 2007, about 74 thousand companies sent detailed monthly data providing a real coverage of about 98% for both flows. In total, there have been about 352 thousand enterprises involved in intra-Community trade, hence only 21% of them reported monthly Intrastat data. To achieve the coverage then allowed by the regulation it would have sufficed that about 49 thousand companies, 14% of the total, would have submitted data. If 95% coverage was required, only 10% of the business involved in intra-Community trade should have compiled Intrastat forms monthly.

Let's now consider the impact on value at the level of NC8 code. Information provided by Eurostat in graph 1 is quite interesting.

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statistics relating to the trading of goods between Member States, as it will be explained in the following paragraphs.

**Graph 1 - Impact of different coverage on CN8 codes – 2005**



Source: Eurostat

Graph 1 shows the percentage of NC8 codes whose value would not change, or change within 10%, or more than 50% or completely as the coverage is lowered. Data for Italy and for EU25 are reported. For Italian arrivals, for example, if in 2005 a coverage of 95% would have been used, 17% of CN8 codes would have had no change in their value, 76% would have been effected of at most 10%, 8% would have registered a change in value of more than 50% and only 2% would have changed completely. In general the highest percentages are observed for changes of value within 10%.

In table 6, an example is provided for specific chapters of the combined nomenclature. For example, if in 2007, coverage of 95% for total export would have been used, about 43% of the respondents for chapter 87 would have been exempted with a loss of 1.3 % in value.

**Table 6 – Impact of lower coverage on specific NC chapters<sup>10</sup> – Italian data 2007**

		EXPORT		
		chapter 87 (autoveicle)	chapter 94 (furnitures)	chapter 64 (shoes)
<b>Actual coverage</b>	<b>number of respondents</b>	4.097	5.438	2.727
<b>95%</b>	<b>loss in value (%)</b>	1,3%	6,2%	5,1%
	<b>number of respondents</b>	2.325	3.109	1.465
	<b>percentage of exempted respondents</b>	43,3%	42,8%	46,3%

Source: ISTAT

### 3.3. Comparing the two methods as for number of business exempted

Let's conclude comparing the two methods in terms of number of business exempted from compiling Intrastat, at least the monthly detailed part.

Table 7, presents a simulation on 2007 Italian data, where respondents have been considered as being above thresholds according to the value of their trade rather than if they actually sent monthly data or not. It is interesting to notice that if in 2007 coverage of 95% would have been the target, a better result than the SF would have been achieved. Indeed, with the SF based on dispatches 62% of the actual respondents should have reported, while with 95% coverage only 58%.

Simulating what has been the compromise decision of the new base legal act for Intrastat, which is the possibility to guarantee 95% coverage only on the arrivals and to keep 97% for the dispatches, 32% of the respondents would have been exempted. Hence with a very little loss in terms of quality an

<sup>10</sup> Chapter 64: Footwear, gaiters and the like; parts of such articles; Chapter 87: Vehicles other than railways or tramway, rolling stock, and parts and accessories thereof; Chapter 94: Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified or included; illuminated signs, illuminated nameplates and the like, prefabricated buildings.



important result, in terms of burden release, not so distant from implementing the SF would have been achieved.

In table 8 the same comparison is done at European level. The very first eye catching information is that in 2005 only 22% of the companies active in EU trade have reported Intrastat data.

If a coverage of 95% for both flows would have been implemented at European level, it would have been possible to ask information to 46% less companies, while the adoption of the SF would have prevented 41% of the actual respondents from providing data on their trade. Again lower coverage would achieve better results than the SF.

**Table 7 – Comparing SF and ET in terms of exempted companies – Italian data 2007**

Respondents above thresholds (real coverage 98%)		% of improvement
number of companies: only export	23.171	
number of companies: only import	24.795	
number of companies: export and import	16.501	
<b>TOT</b>	<b>64.467</b>	<b>100%</b>
Simulation Single FLOW		
number of companies: only export	23.171	
number of companies: export and import	16.501	
<b>TOT</b>	<b>39.672</b>	
Simulation for a coverage of 97%		
number of companies: only export	18.871	
number of companies: only import	19.502	
number of companies: export and import	12.823	
<b>TOT</b>	<b>51.196</b>	<b>79%</b>
Simulation for a coverage of 95%		
number of companies: only export	15.211	
number of companies: only import	13.128	
number of companies: export and import	8.942	
<b>TOT</b>	<b>37.281</b>	<b>58%</b>
Simulation for a coverage of 95% for IMP and 97% for EXP (as foreseen by the new regulation)		
number of companies: only export	21.688	
number of companies: only import	12.064	
number of companies: export and import	10.006	
<b>TOT</b>	<b>43.758</b>	<b>68%</b>

Source: ISTAT

**Table 8 – Comparing SF and ET in terms of exempted companies – EU25 data 2005**

Coverage level							
100%	99%	98%	97%	95%	93%	90%	real coverage
number of respondents							
2.428.147	719.935	521.296	427.315	293.465	227.612	169.869	539.309
% of exempted respondents							
	70%	79%	82%	88%	91%	93%	78%
change from actual thresholds to the new ones in terms of % of respondents							
350%	33%	-3%	-21%	-46%	-58%	-69%	
change from actual coverage to SF in terms of number of respondents							
206%	-3%	-29%	-41%	-59%	-68%	-76%	

Source: Eurostat

### 3.4. Conclusion and way forward

As anticipated in the previous paragraph, the *simplification working group* concluded that the best solution in the short period would have been to increase exemption thresholds in order to maintain acceptable data quality levels. The minimum trade coverage rate for dispatches is kept at 97% while the trade coverage for arrivals is lowered to 95%. This solution has been supported by the Intrastat and Extrastat committee and became a legal obligation with the new Intrastat regulation N° 222/2009. The choice of lowering only the coverage for arrivals was made to allow keeping as a long term project

the implementation of the SF. In fact, if only one flow will be collected it is likely that a larger coverage should be granted in order to assure an acceptable reporting for the mirror flows.

Indeed, much work is still needed to prepare the implementation of the SF, but that is the goal the politicians ask to pursue.

Eurostat has committed itself and involved the Member States in solving the largest asymmetries and putting more stringent constraints in terms of data quality. Effort is being devoted to produce homogenous methodology for estimation of data below thresholds, CIF/FOB values, late and non response. A more intensive use of VAT/VIES data is promoted, for countries that still do not implement this good practise. An important financial program has been launched by the Commission to support studies within the Member States on these topics (MEETS program). A new round of evaluation of the possibility of implementing the SF is just behind the corner. Hence despite our reluctance, SF seems to be the final destiny of intra-community trade statistics. Our job will be then to monitor that this move will be done when the preconditions to not create a disaster in terms of data quality will be met.