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Analysis of potential savings to the EU budget if the European Parliament centralised its operations

TABLE OF CONTENTS

	Paragraph
Executive summary	I -VIII
Introduction	1 - 3
The current organisation of the activities of the European Parliament	1 - 3
Scope and approach of the Court's analysis	4 - 8
Scope of the analysis	4 - 7
Approach	8
The Court's Analysis	9 - 49
Section 1 – The Court's analysis of previous studies by the administration of the European Parliament	9 - 11
Section 2 – The Court's analysis of potential savings from moving activities from Strasbourg to Brussels	12 - 28
Section 3 – The Court's analysis of potential savings from also moving activities from Luxembourg to Brussels	29 - 49
Concluding remarks	50 - 57
Annex 1 Comparison of key studies	
Annex 2 The use made of differing estimates of the administration of the European Parliament	
Annex 3 Main hypotheses of three key studies	
Annex 4 Summary of potential savings from centralising in Brussels	

VII. Moving from Luxembourg to Brussels would generate annual savings of only 13 million euro if office space in Brussels is purchased and there would be a one-off cost of 220 million euro. Conversely, if office space in Brussels is rented, there would be annual additional costs of 16 million euro, but a one-off benefit of 476 million euro.

VIII. The Court's analysis does not have the same degree of certainty as an audit of historic costs. The valuations of buildings in particular are approximate. The Court has followed certain assumptions in its analysis. Any decision on whether to centralise operations will depend not only on financial considerations but also on other factors, including taking into account the applicable Treaty provisions.

INTRODUCTION

The current organisation of the activities of the European Parliament

1. In December 1992, the Edinburgh European Council agreed the location of the seats of the EU institutions. This agreement was set out in a protocol annexed to the Treaty of Amsterdam¹ which stated that the European Parliament should be divided over three sites:

- (a) Its seat should be in Strasbourg, where 12 plenary sessions would be held;
- (b) Committee meetings and additional plenary sessions should be held in Brussels;
- (c) The General Secretariat and its departments should be in Luxembourg.

2. Parliamentary activities are organised over a four-week cycle. Two weeks of parliamentary committees are followed by one week of political group meetings and then one plenary week. A two-day part session ("mini-plenary") may take

¹ The Treaty of Amsterdam, protocol on the location of the seats of the institutions and of certain bodies and departments of the European Communities and of Europol, sole Article.

place during the second week. During the first three weeks, meetings are held in Brussels, with the fourth week, that of the plenary, being spent in Strasbourg. Some 2 500 administrative staff are based in Luxembourg. Most of the services responsible for giving direct assistance to Members are based in Brussels where there are around 4 100 staff². Fewer than 100 staff are assigned to Strasbourg, mainly in the Information Office and in the services responsible for supervising the premises.

3. The administration of the European Parliament has carried out a number of studies which have examined the cost of geographical dispersion. These all came to the conclusion that there would be savings from concentrating operations.

SCOPE AND APPROACH OF THE COURT'S ANALYSIS

Scope of the analysis

4. In a resolution of November 2013³ the European Parliament asked the Court of Auditors to provide a comprehensive analysis of the potential savings for the EU budget, including savings made through reduced loss of working time and greater efficiency, if Parliament had only one seat.

5. Although the November 2013 resolution did not specify Brussels as the site of the single seat, surveys of MEPs have shown that over two-thirds of them consistently want one seat in Brussels. This was also the assumption behind the August 2013 report on the three places of work of the European Parliament⁴. The Court's analysis therefore examined the savings from concentrating operations in

² Around 950 staff of the 4 100 in Brussels work for the political groups.

³ European Parliament resolution of 20 November 2013 on the location of the seats of the European Union's Institutions (2012/2308(INI)).

⁴ Administration of the European Parliament, August 2013: The three places of work of the European Parliament: Financial, environmental and regional impacts of geographic dispersion.

Brussels, rather than in Strasbourg or Luxembourg. It focused on two core scenarios, namely:

- (a) Moving only from Strasbourg to Brussels, with no change in Luxembourg; and
- (b) Moving, in addition, from Luxembourg to Brussels.

6. The scope of the analysis was limited to the potential savings for the EU budget. It did not examine whether more effective use could be made of the Strasbourg buildings under present arrangements, nor did it examine the environmental or the regional economic impact of centralising operations.

7. In preparing this review, the Court has not sought to address potentially complex legal and political considerations in relation to the appropriate seats for the European Parliament, as these are a matter for other parties. Moreover, some of the estimates presented in this review are very sensitive to assumptions about property values. The Court has used purely indicative assumptions for these purposes, the basis of which are transparently presented in the text, but in the event that decisions are in contemplation it would be important that the appropriate expert advice, based on up to date data, would be sought by policy makers.

Approach

8. The analysis was based on:

- (a) A review of previous studies in order to understand the reasons for the wide variation in the estimated potential savings;
- (b) A validation of the August 2013 analysis carried out by the administration of the European Parliament;
- (c) Interviews with staff in the administration of the European Parliament, particularly the Directorates-General for Finance and for Infrastructure and Logistics;

- (d) A review of documentation provided by the administration of the European Parliament in response to the Court's questions.
- (e) Meetings with MEPs, parliamentary assistants and authors of previous studies.

THE COURT'S ANALYSIS

Section 1 – The Court's analysis of previous studies by the administration of the European Parliament

The various estimates of the administration of the European Parliament regarding the costs of geographical dispersion which could be saved by centralisation differ by a factor of four

9. Previous studies of the administration of the European Parliament provide differing estimates of the costs of geographical dispersion which could be saved as a result of centralising operations in Brussels (see ***Figure 1***):

- (a) In its 2002 report on the cost of maintaining three places of work the administration produced its highest estimate of 203 million euro as the annual cost of geographical dispersion (and therefore potential savings from a single place of work).
- (b) The administration's replies to the questionnaire in preparation for the European Parliament's discharge for 2010 and 2011 estimated the annual cost of the seat in Strasbourg (and therefore potential savings from its abandonment) to be 51 to 55 million euro.
- (c) In its 2013 report on the cost of maintaining three places of work the administration estimated the annual cost of geographic dispersion that could be saved if all operations were consolidated in Brussels to be 89 million euro (103 million euro from moving from Strasbourg offset by 14 million euro

additional costs from moving from Luxembourg)⁵. This potential saving amounts to 5,0 % of the budget of the European Parliament.

Figure 1 Estimated costs of dispersion (therefore potential savings from consolidation) in different studies

Scenario	Annual savings/(costs) million euro		
	2002 report	2011 discharge	2013 report
Moving from Strasbourg	Not examined separately	55	103
Moving from Luxembourg	Not examined separately	Not examined	(14)
Total from both Strasbourg and Luxembourg	203	n/a	89

The estimates of the studies vary due to different purpose, timing and scope

10. The detailed figures behind the overall estimated costs related to geographical dispersion (which could potentially be saved by consolidation) in the three key studies are shown in **Annex 1**. The differences between the estimates occur for a number of reasons:

- (a) The studies answer different questions. For example the replies to the discharge questionnaire for 2010 and 2011 show only the additional costs of the Strasbourg seat, whilst the 2002 and 2013 studies show the costs of having three places of work.

⁵ This report was preceded by a 2012 working document of the Joint Working Group of the Bureau and the Committee on Budgets on the European Parliament budget. This pre-study contained similar figures to the 2013 report. The 2013 report is also broadly consistent with figures in the Secretary-General's 2011 report on the preliminary draft budget for 2012. However, the latter assumed more staff reductions (250 rather than 108) resulting in additional forecast savings of 10 million euro, and it also included an estimate of 30 million euro for depreciation.

- (b) The situation has changed over time. For example, the 2002 study included estimated savings of 60 million euro for the rental of the Strasbourg buildings. The buildings were later purchased and so there is no figure for rental in later studies. Although the estimates in the 2002 report are obsolete they continue to be used outside the administration of the Parliament (see **Annex 2**).
- (c) The studies differ in what is included. For example, the replies to the discharge questionnaire omit IT and equipment, travel expenses of political groups and savings from staff reductions due to efficiency gains. These are all included in the more comprehensive 2013 study which also includes the one-off costs involved in a move to Brussels. **Annex 3** sets out the main assumptions of the different studies.

The 2013 study did not include a number of elements

11. The Court identified some elements that were not included even in the latest, more comprehensive, study of 2013, for example:

- (a) Costs incurred by the Commission and Council staff in attending parliamentary sessions in Strasbourg were outside the scope of the study.
- (b) Additional costs related to MEPs travel to Strasbourg were not considered sufficiently significant to be included.
- (c) Costs associated with the future renovation of buildings in Strasbourg were not fully assessed.
- (d) The value of the buildings in Strasbourg and potential revenue from sale, rental or alternative use was not quantified.
- (e) The number of posts which could be reduced as a result of efficiency gains was not correctly assessed.



Paul-Henri Spaak building, Brussels

Source: European Parliament

Section 2 – The Court’s analysis of potential savings from moving activities from Strasbourg to Brussels

12. The first scenario examined by the Court considered moving activities only from Strasbourg to Brussels, with no change in Luxembourg. The Court’s analysis presents figures to the nearest 0,1 million euro because this degree of accuracy is appropriate for most estimates of annual costs and savings, even though the estimates of one-off costs and savings, particularly regarding the valuation of buildings, are more approximate and less certain. The Court estimates the following potential savings, which are analysed further in paragraphs 13 to 28:

- Annual savings of 113,8 million euro (equivalent to 6,3 % of the annual budget of the European Parliament⁶) as a result of economies from consolidated operations.

⁶ The total savings are presented as a proportion of the European Parliament’s budget by way of comparison, although 4,7 million euro of the savings would come from the mission expenses budgets of the Commission and Council.

- An overall one-time saving of 616,1 million euro resulting from divesting the vacant Strasbourg buildings with an estimated value of 656,2 million euro⁷, offset by a one-time cost to move staff of 1,1 million euro plus additional costs of 39 million euro⁸ to maintain the buildings until an alternative use is found. However, if the Parliament did not succeed in divesting the Strasbourg buildings, there would be a one-off cost of 40,1 million euro.

Recurring savings from moving activities from Strasbourg to Brussels would be 114 million euro per annum

13. The Court's estimate of potential recurring savings from moving activities from Strasbourg to Brussels are 10 % higher than the 2013 estimates of the administration of the European Parliament as shown in **Figure 2**. Both estimates are based on 2014 prices.

Figure 2 Recurring savings from moving activities from Strasbourg to Brussels

Category	Million euro per annum		
	EP 2013 analysis	ECA analysis	Difference
Mission expenses and other transport and communication	26,1	34,0	+7,9
Buildings and associated costs	49,5	57,9	+8,4
Data processing, equipment and movable property	11,8	12,0	+0,2
Savings from other efficiency gains	15,7	9,9	-5,8
Total recurring savings	103,1	113,8	+10,7

⁷ The Court based this estimation on the average valuation between the net book value in the accounts (306,8 million euro) and an external assessment of the market value of the property (1 005,5 million euro).

⁸ The Court's estimate for the provision of 39 million euro is based on maintenance costs for two years.

Mission expenses and other transport and communication

14. The 2013 study of the European Parliament's administration estimated that there would be savings of 26,1 million euro per annum from reduced travel and transport to Strasbourg. This consisted of the mission expenses of European Parliament officials, political groups, parliamentary assistants and freelance interpreters. It also included the cost of transporting trunks to and from Strasbourg. The Court has identified an additional 7,9 million euro of potential savings from mission expenses:

- (a) The mission expenses incurred by other Institutions, notably the Commission (4,3 million euro per annum) and the Council (0,4 million euro per annum).
- (b) The additional expenses of 1,8 million euro per annum related to MEPs travelling to Strasbourg rather than to Brussels.
- (c) The 2013 study of the administration of the European Parliament was based on actual mission expenses for staff and parliamentary assistants in 2012, which were the latest available figures. The Court's analysis is based on 2013 expenditure which was 1,1 million euro higher for staff and 0,3 million euro higher for parliamentary assistants.

Buildings and associated costs

15. The administration's 2013 study estimated that moving from Strasbourg could save 49,5 million euro per annum by no longer duplicating buildings. Because the Parliament owns the buildings in Strasbourg, it has to pay for their renovation so that they remain fit for purpose. The amount will fluctuate each year depending on when renovation is carried out. The 2013 study estimated savings of 7,3 million euro based on specific projects for 2014 which included, for example, the cost of renovating the recently purchased Vaclav Havel building in Strasbourg. Decisions implementing the European Parliament's renovation policy, which could form the

basis for an estimate of an average annual cost, have not yet been taken⁹. In the absence of such decisions, the Court's analysis applies the cost per square metre of renovating the KAD I building in Luxembourg after 30 years of service to the surface area of the Strasbourg buildings. The resulting figure of 17,2 million euro per annum¹⁰ is used in place of the specific cost of 7,3 million euro as an indication of the need for future expenditure on renovation. Any future decision to demolish and reconstruct could involve additional costs, but these have not been included in the Court's analysis because they are uncertain.

16. Savings on buildings in the event of a move from Strasbourg to Brussels would be offset by the increased cleaning, energy and security costs of 0,6 million euro per annum which would result from the more intensive use of the plenary hall in Brussels. Estimated savings are therefore reduced by this amount in the Court's analysis.

17. In the event of a move from Strasbourg to Brussels, there would be an additional recurring cost of 0,9 million euro for 144 additional second offices in Brussels needed for Luxembourg staff who regularly attend plenary sessions¹¹.

Data processing, equipment and movable property

18. The administration's 2013 study estimated that moving from Strasbourg could save 11,8 million euro per annum from data processing, equipment and movable property. This did not include the total amount of savings estimated by the

⁹ Internal Audit Report 11/08 of 3 December 2012: Follow-up to the Audit of Building Policy, Internal Audit Service of the European Parliament, Report 09/03 of 2 December 2009 and follow-up note of 22 November 2013 to the Director-General for Infrastructure and Logistics.

¹⁰ The estimated cost of 63,5 million euros for renovating the 26 800 square metres of the existing KAD I building after 30 years is equivalent to 2 369 euros per square metre. This would amount to 517,1 million euro for the 218 272 square metres of the buildings in Strasbourg or 17,2 million euro per year spread over 30 years.

¹¹ Based on 20 square metres per office including common space and annual costs of 321 euro per square metre (201 euro rent and 120 euro running costs).

Directorate-General for Innovation and Technological Support (DG ITEC) which could be made on IT infrastructure costs. The Court's analysis therefore includes additional estimated savings of 0,2 million euro.

Savings from other efficiency gains

19. The 2013 study estimated that efficiency savings of 6,0 million euro per annum could be realised as a result of staff spending less time travelling to Strasbourg (there are over 14 000 journeys between Brussels and Strasbourg each year). It assumed that 75 % of travel time was wasted and could be converted into staff reductions. The Court agrees that time saved from less travel would result in efficiency gains but this would not result in direct savings to the budget.

20. The 2013 study estimated that staff could be reduced by 55 posts resulting from the more streamlined structure when moving activities from Strasbourg to Brussels. However, this estimate omitted 7 contract staff. The Court's analysis therefore includes additional estimated savings of 0,3 million euro¹².

21. The 2013 study estimated savings of 0,4 million euro on efficiency gains relating to expenditure of the medical service of Parliament. These savings have been excluded from the Court's analysis because this expenditure relates to consultation and analysis fees which depend on the number of persons examined, rather than the number of locations, and so will not reduce materially.

22. The Court's analysis includes additional savings from reduced payments for the driver service for Members of 0,3 million euro due to the reduced average price per trip in Brussels compared with Strasbourg.

¹² Based on an average cost of 43 000 euro for contract staff.

If the Strasbourg buildings are divested (option A) one-off savings from moving from Strasbourg to Brussels would be 616 million euro

23. The Court's estimate of the one-off costs and savings of moving activities from Strasbourg to Brussels if the Strasbourg buildings are divested is shown in **Figure 3**. The 2013 analysis of the administration of the European Parliament did not quantify the one-off costs and savings.

Figure 3 One-off costs and savings of moving activities from Strasbourg to Brussels if buildings are divested (option A)

Type of cost / saving	(cost) / savings million euro	
	EP 2013 analysis	ECA analysis
Cost of moving staff	no estimate	(1,1)
Value of Strasbourg buildings	no estimate	656,2
Cost of maintaining Strasbourg buildings for 2 years	no estimate	(39,0)
Net one-off (cost) / saving	no estimate	616,1

Cost of moving staff

24. An estimated 50 staff would move from Strasbourg to Brussels at a cost of 1,1 million euro for subsistence and installation allowances and removal expenses.

Value of Strasbourg buildings

25. The buildings in Strasbourg are duplicated in Brussels and so there would be no one-off costs associated with obtaining new offices or meeting rooms. The Parliament plans to renovate the plenary hall in Brussels in 2018-2019 whether or not any decision is taken to centralise activities in Brussels. The Directorate-General for Infrastructure and Logistics (DG INLO) considered that no extra work on the plenary hall would be necessary if all plenary sessions were to be held in Brussels. The timing of a possible move to Brussels will need to take into account the lack of availability of the Brussels plenary hall during the period of renovations.

26. Because the Parliament owns the buildings in Strasbourg, any benefit from their sale, rental or use by other EU bodies would represent a saving to the EU budget. The 2013 study did not include an estimate of the value of the Strasbourg buildings because of the difficulty of giving a definitive estimate. It suggested that the best possibility was offered by moving one or various organisations with similar requirements to Strasbourg. The net book value of the Parliament's land and buildings in Strasbourg is 306,8 million euro¹³. In 2009 an external expert assessed the market value of the buildings as considerably higher, at 981,0 million euro¹⁴, which amounts to 1 005,5 million euro if the value of the land is included¹⁵. An average figure of 656,2 million euro has therefore been used in the Court's analysis to indicate that the sale, rental or saving from an alternative use of the Strasbourg buildings would represent a significant benefit. However, the specific nature of the Strasbourg buildings, the volatility of the property market and the foreseen rights of the City of Strasbourg to negotiate the purchase of some buildings may pose further limitations on the estimated sale value.

Cost of maintaining Strasbourg buildings for two years

27. If the buildings in Strasbourg were to remain vacant and unused for a time, the Parliament would continue to bear the cost of their upkeep. The cost of maintenance, cleaning and energy for the Strasbourg buildings outside of session weeks is 346 000 euro per week¹⁶, which amounts to 18 million euro per year. In addition there would be an estimated additional cost of 1,5 million euro per year to

¹³ Net book value (historic cost less depreciation) at 31 December 2013.

¹⁴ European Parliament, Replies to the discharge questionnaire 2010, point 24 and annex based on evaluation of IMMOLABEL.BE.

¹⁵ If the Parliament ceases to use the Winston Churchill, Salvador de Madariaga and Pierre Pfimlin buildings, the City of Strasbourg has the right to buy back the land for 1 euro and to buy the buildings at an agreed price. For the Louise Weiss building, the land was bought by the European Parliament. It has a net book value of 24,5 million euro.

¹⁶ Discharge 2012 D(2013)61497 point 45.3.

maintain a minimum level of security. The Court's analysis includes a provision of 39 million euro for the cost of maintaining the buildings for two years until they are divested.

If the Strasbourg buildings are not divested (option B) there would be a one-off cost of 40 million euro

28. The 2013 study highlighted the difficulty of divesting the Strasbourg buildings because of their specific layout. If the Parliament did not succeed in divesting the Strasbourg buildings, there would be no one-off benefit to the EU budget. The overall estimated one-off saving of 616,1 million euro would become a one-off cost of 40,1 million euro (see **Figure 4**), which would increase if the buildings have to be maintained by the Parliament for more than two years.

Figure 4 One-off costs and savings of moving activities from Strasbourg to Brussels if buildings are not divested (option B)

Type of cost / saving	(cost) / savings million euro	
	EP 2013 analysis	ECA analysis
Cost of moving staff	no estimate	(1,1)
Value of Strasbourg buildings	no estimate	0,0
Cost of maintaining Strasbourg buildings for 2 years	no estimate	(39,0)
Net one-off (cost) / saving	no estimate	(40,1)



Louise Weiss building, Strasbourg

Source: European Parliament

Section 3 – The Court’s analysis of potential savings from also moving activities from Luxembourg to Brussels

29. The second scenario examined by the Court was moving activities also from Luxembourg to Brussels. The Parliament is currently constructing a single office building in Luxembourg to accommodate its entire staff there which are currently spread over several buildings. The new building (KAD) consists mainly of a new construction (KAD II), due to be completed in 2016, but will partly consist of the renovation of the existing KAD I, due to be completed in 2018¹⁷. The estimated cost of the project, including financing costs, is 651,1 million euro. The Court’s analysis assumes that any move would take place after the construction of the KAD building.

¹⁷ Bureau decision of 10 January 2012 and “KAD project / non KAD” comparison tables 2012(D) 18188.

30. There would be the following costs and savings from moving activities from Luxembourg to Brussels depending on whether it was decided to buy (option C) or to rent (option D) the office buildings in Brussels (see **Figure 5**):

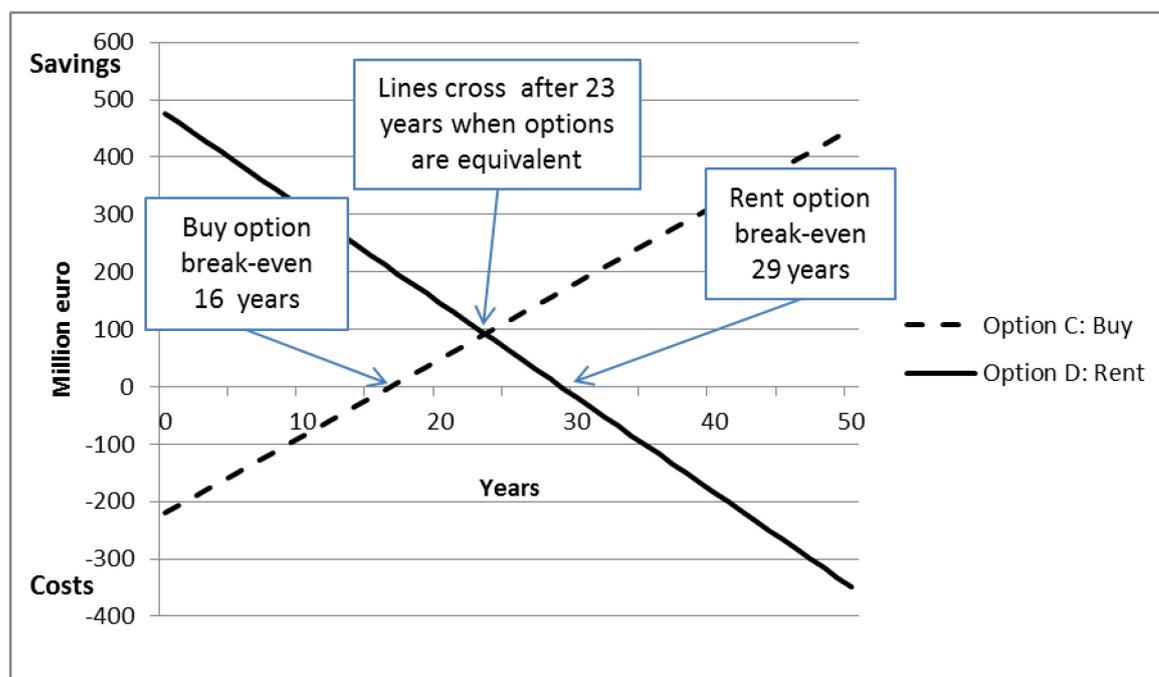
- **Option C – buy:** there would be potential annual savings of 13,4 million euro (0,7 % of the annual budget of the European Parliament). There would be a significant one-off cost of 220,2 million euro to move staff and for the additional cost of constructing offices in Brussels over and above the sale value of the KAD building in Luxembourg.
- **Option D – rent:** there would be annual additional costs of 16,4 million euro linked to rental payments for offices in Brussels (0,9 % of the annual budget of the European Parliament). However, there would be a one-off benefit of 476,1 million euro linked to the sale of the KAD building in Luxembourg.

Figure 5 Break-even analysis for buying and rental options showing time to recover investment or to absorb one-off savings

	Option C: Buy	Option D: Rent
	Savings / (costs) million euro	
Recurring annual (costs) / savings	13,4	(16,4)
One-off (costs) / savings	(220,2)	476,1
	Years	
Years to recover investment	16,4	
Years to absorb one-off saving		29,0

31. The cumulative value over a period of 50 years of the costs and savings from the two options of buying or renting is shown in **Figure 6**. These costs and savings are analysed further in paragraphs 33 to 49.

Figure 6 Cumulative value over 50 years of the costs and savings from buying or renting



32. A discount rate can be applied in investment analysis to make costs and benefits that arise at different points in time comparable¹⁸. Applying a discount rate of 3,5 % would result in a small difference between the two options over a period of 50 years.

Recurring savings from buying offices in Brussels (option C) would be 13 million euro per annum

33. The Court's estimate of potential recurring savings from moving activities from Luxembourg to offices in Brussels is shown in **Figure 7**. These potential savings of 13,4 million euro would be relevant regardless of whether the Parliament decided to buy offices in Brussels or rent them. However, if it decided to rent offices it would incur the additional recurring cost of renting (see paragraph 46).

¹⁸ The European Commission recommends a discount rate of 3,5 % for EU countries. See The Economic Appraisal of Investment Projects at the EIB, March 2013. The appraisal is done at constant market prices (2014 prices for the Court's analysis) and interest payments are excluded because the discount rate reflects their impact.

Figure 7 Recurring savings from buying offices in Brussels for Luxembourg staff

Category	Million euro per annum		
	EP 2013 analysis	ECA analysis	Difference
Mission expenses and other transport and communication	5,5	4,9	-0,6
Buildings and associated costs	0,6	1,3	+0,7
Savings from other efficiency gains	8,9	7,2	-1,7
Total recurring savings	15,0	13,4	-1,6

Mission expenses and other transport and communication

34. The 2013 study of the administration of the European Parliament was based on actual staff mission expenses in 2012. The Court's analysis is based on 2013 staff mission expenses which were 0,6 million euro lower.

Buildings and associated costs

35. In the event of a move from Luxembourg to Brussels there would no longer be a need for the 144 additional second offices required by a move from Strasbourg alone (see paragraph 17). This would result in a saving of 0,9 million euro.

36. The 2013 study assumed savings of 0,6 million euro on building related expenditure (e.g. energy, cleaning, security and rent) for 175 second offices in Brussels and Luxembourg used by staff coming from the other place of work. The Court's analysis shows savings of 0,4 million euro because it has not included the rental element of savings here. Instead these savings appear in the Court's analysis in the form of a reduction in the amount of additional floor area to be bought or rented in Brussels (see paragraphs 42 and 46).

Savings from other efficiency gains

37. The 2013 study estimated that efficiency gains as a result of staff spending less time travelling between Luxembourg and Brussels would result in 3,2 million euro per annum of savings to the budget. As was the case for travel to Strasbourg

(see paragraph 19), the Court agrees that the time saved from less travel would lead to efficiency gains but this would not result in savings to the budget.

38. The 2013 study estimated that staff could be reduced by 53 posts resulting from the more streamlined structure when moving activities from Luxembourg to Brussels. However, the estimate of staff reductions omitted 5 contract staff. The Court's analysis therefore includes additional estimated savings of 0,2 million euro¹⁹. The 2013 study also underestimated the savings in office space associated with the reduction in staff. The Court's analysis therefore includes additional estimated savings of 0,1 million euro²⁰.

39. In the short term there would be an estimated additional cost of 0,2 million euro because, on moving to Brussels, more staff would be entitled to the expatriation allowance. However, the proportion of Parliament staff in Brussels in receipt of the expatriation allowance (72 %) is lower than in Luxembourg (90 %). Over time, with staff turnover of 4 % per year, it is expected that the number of staff in receipt of the expatriation allowance will reduce. Assuming the proportion falls to 81 % the additional costs would be transformed into estimated annual savings of 2,5 million euro. As the full effect of this saving would only be realised with the gradual turnover of staff, annual savings are estimated at an average over 25 years of 1,2 million euro.

The one-off cost of buying offices in Brussels (option C) would be 220 million euro

40. The Court's estimate of the one-off costs of buying offices in Brussels for staff moving from Luxembourg is 220,2 million euro (see **Figure 8**).

¹⁹ Based on the average cost of 43 000 euro for contract staff.

²⁰ The Parliament's analysis was based on an estimated office size of 20 square metres and a cost per square metre of 180 euro. In practice, DG INLO's provision for the gross average space for an office is 40 square metres. The cost per square metre excluding the element of rent is 120 euro per square metre.

Figure 8 The one-off cost of buying offices in Brussels for Luxembourg staff

Type of cost / saving	(cost) / savings million euro		
	EP 2013 analysis	ECA analysis	Difference
Cost of moving staff	(58,6)	(54,2)	+4,4
Cost of constructing offices in Brussels	(1 231,1)	(696,3)	+534,8
Sale value of KAD Luxembourg	651,1	530,3	-120,8
Net one-off (cost) / saving	(638,6)	(220,2)	+418,4

Cost of moving staff

41. The 2013 study estimated that the one-off cost of moving staff from Luxembourg to Brussels was 58,6 million euro. This included 4,4 million euro relating to lost time during the move. However, this lost time would not result directly in costs to the budget. The Court therefore estimates the amount of one-off costs of moving staff (subsistence and installation allowances and removal expenses) to be 54,2 million euro.

Cost of constructing offices in Brussels

42. The 2013 study explained that the price of constructing offices in Luxembourg was more favourable than in Brussels because Luxembourg offered the land for the KAD building for the symbolic price of one euro. The 2013 study estimated that it would cost 1 231,1 million euro to build offices in Brussels of a similar scale to the KAD to accommodate the staff moving from Luxembourg. This estimate was based on the cost per square metre (4 745 euro), including financing costs, of building the current TREBEL building in the European district in Brussels. However, it significantly overstated the cost of construction because it was not based on the relevant dimensions of the KAD²¹. Moreover, it made no allowance for the 175 second offices in Brussels and Luxembourg used by staff coming from

²¹ The 2013 study assumed the floor area of the KAD was 259 429 square metres. This is the gross floor area including the basement areas. The relevant measure for the calculation should have been the floor area excluding basement areas which is 154 000 square metres.

the other place of work which would no longer be necessary (see paragraph 36) or for the reduction of 58 posts in Luxembourg staff (see paragraph 38). In the Court's analysis, the estimated cost of building in Brussels is 696,3 million euro²².

Sale value of KAD Luxembourg

43. The Court has made a prudent estimate of the sale value of the vacated KAD offices in Luxembourg, using the construction cost of 530,3 million euro²³. The estimate made by the administration of the European Parliament in its 2013 study is 120,8 million euro higher as it includes financing costs. Nevertheless the eventual realisable value will also depend upon the effect on the market of the applicable national legislation on the use of the buildings in that location.

44. The KAD is a standard office building on a prime location subject to the Luxembourg *Plan d'aménagement général du territoire – Plateau du Kirchberg*²⁴. The land and the European Parliament buildings thereon are considered as buildings and installations of national interest for the purposes of Luxembourgish law.

45. Under the terms and conditions regulating the transfer of the land²⁵, the European Parliament may prospect negotiating the sale of the KAD to the Luxembourg government, or to another European Union institution, or to an international organisation. If the KAD is not divested at the same time as staff are transferred to Brussels the Parliament would continue to bear the cost of its

²² Based on a cost of 4 700 euro per square metre (excluding financing costs) for 148 180 square metres (154 000 square metres less 175 offices of 20 square metres and 58 offices of 40 square metres equivalent to 5820 square metres).

²³ As the KAD is currently under construction and will not be completed until 2016 (new KAD) and 2018 (renovation of existing KAD), the timing of any possible decision to move from Luxembourg to Brussels could impact on both the construction cost and the value of the KAD.

²⁴ www.fondskirchberg.lu

²⁵ Including the Acte de cession entre l'Etat du Grand-Duché de Luxembourg et l'Union Européenne, 13 December 2011.

upkeep²⁶. In the Court's analysis it is assumed that in the time needed to buy or rent accommodation in Brussels for staff from Luxembourg a suitable solution for the KAD building would be found.

Recurring additional costs from renting offices in Brussels (option D) would be 16 million euro per annum

46. If the Parliament decided to rent instead of building²⁷, it would still benefit from the recurring savings of 13,4 million euro on travelling and efficiency gains described in paragraphs 33 to 39 and **Figure 7**. However, these savings would be offset by the additional expense of renting in the European district in Brussels at 201 euro per square metre which would amount to 29,8 million euro per annum²⁸. As a result there would be annual costs of 16,4 million euro (see **Figure 9**). The difference of 12,1 million euro in buildings and associated costs is because the Parliament's estimate of additional rental costs in Brussels was based on a comparison with current rental costs in Luxembourg whilst the Court's analysis

²⁶ Based on the cost of maintaining the vacant Strasbourg buildings (19,5 million euro per annum for 218 272 square metres) it would cost 13,8 million euro per annum to maintain the 154 000 square metres of the KAD.

²⁷ The 2013 study of the administration of the European Parliament excluded this option because there was no available office space for rent for 2 500 people close to the European Parliament at the time. The Court's analysis assumes that opportunities will arise, even if not for all staff at once.

²⁸ Based on surface area of 148 180 square metres. The rental price of 201 euro per square metre is based on the Square de Meeus building in the European district. It is the policy of the European Parliament to acquire offices within a radius of 1 km of the main Parliament building. The Court's analysis is consistent with this policy. However, costs could be reduced by locating offices outside of the European district, particularly for staff, such as translators, not providing direct assistance to MEPs or other staff. The Court's analysis of the cost of renting in Brussels is based on the number of square metres planned for the KAD building in Luxembourg. Renting would offer the flexibility to align the number of square metres with the Parliament's needs and with the Parliament's average of 40 square metres per person. The Parliament currently occupies 128 620 square metres in Luxembourg. Allowing for the reduction of 233 offices (5 820 square metres), renting 122 800 square metres in Brussels at 150 euro per square metre would cost 18,4 million euro rather than 29,8 million euro per annum.

was based on a comparison with owning the KAD in Luxembourg and no longer renting (see paragraph 29).

Figure 9 Recurring costs from renting offices in Brussels for Luxembourg staff

Category	(cost) / savings million euro per annum		
	EP 2013 analysis	ECA analysis	Difference
Mission expenses and other transport and communication	5,5	4,9	-0,6
Value of time saved from less travel	3,2	0,0	-3,2
Buildings and associated costs	(16,4)	(28,5)	-12,1
Savings from other efficiency gains	5,7	7,2	+1,5
Total recurring (costs) / savings	(2,0)	(16,4)	-14,4

One-off savings from renting offices in Brussels (option D) would be 476 million euro

47. The Court's estimate of the one-off savings of moving activities from Luxembourg to rented offices in Brussels is 476,1 million euro (see **Figure 10**).

Figure 10 One-off savings of renting offices in Brussels

Type of cost / saving	(cost) / savings million euro		
	EP 2013 analysis	ECA analysis	Difference
Cost of moving staff	(58,6)	(54,2)	+4,4
Sale value of KAD Luxembourg	651,1	530,3	-120,8
Net one-off saving	592,5	476,1	-116,4

Cost of moving staff

48. If the Parliament rented offices in Brussels it would still incur the one-off cost of moving staff from Luxembourg to Brussels of 54,2 million euro described in paragraph 41 above.

Sale value of KAD Luxembourg

49. If the Parliament rented offices in Brussels there would be no one-off cost of constructing offices in Brussels. The Parliament would, however, still benefit from

the value of the vacated KAD offices in Luxembourg, equivalent to the construction cost of 530,3 million euro (see paragraph 43).



Planned KAD building, Luxembourg

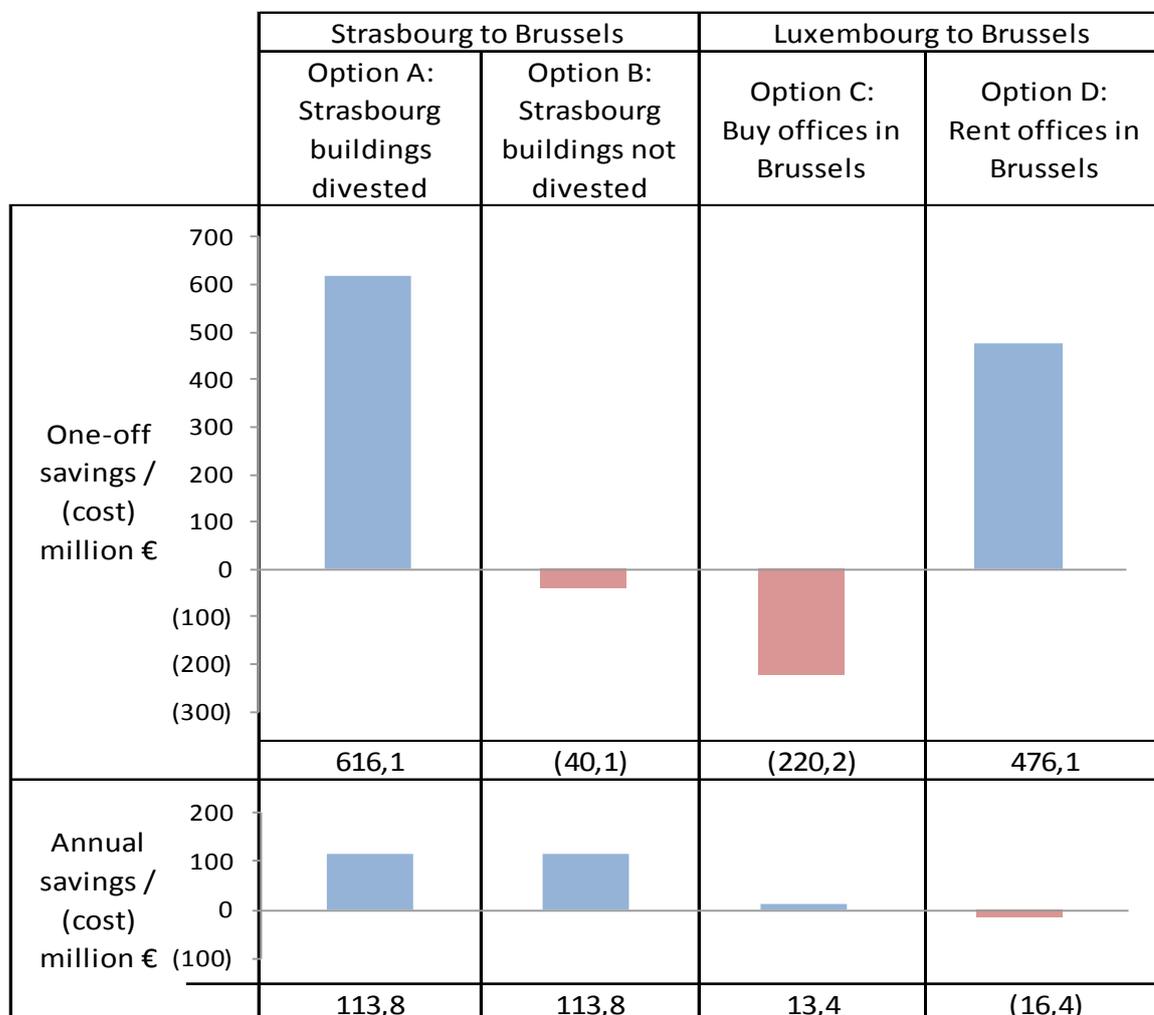
Source: European Parliament

CONCLUDING REMARKS

Moving from Strasbourg to Brussels could generate significant savings. Moving from Luxembourg to Brussels could add marginally to these savings.

50. The estimated one-off and recurring costs and savings of moving from Strasbourg to Brussels and from Luxembourg to Brussels are summarised in ***Figure 11*** and ***Annex 4***.

Figure 11 Summary of one-off and recurring costs and savings of moving from Strasbourg and Luxembourg separately



51. Moving from Strasbourg to Brussels would result in estimated recurring savings to the EU budget of 113,8 million euro (equivalent to 6,3 % of the budget of the European Parliament). There would also be a substantial one-off benefit from divesting the Strasbourg buildings, which, though difficult to quantify could be substantial. The Court's estimate of 656,2 million euro is based on the average of their net book value (306,8 million euro) and an external assessment of their market value (1 005,5 million euro). This benefit would be offset by the one-off cost of moving staff of 1,1 million euro and any costs incurred in maintaining the buildings until a suitable solution was found (the Court's analysis includes a

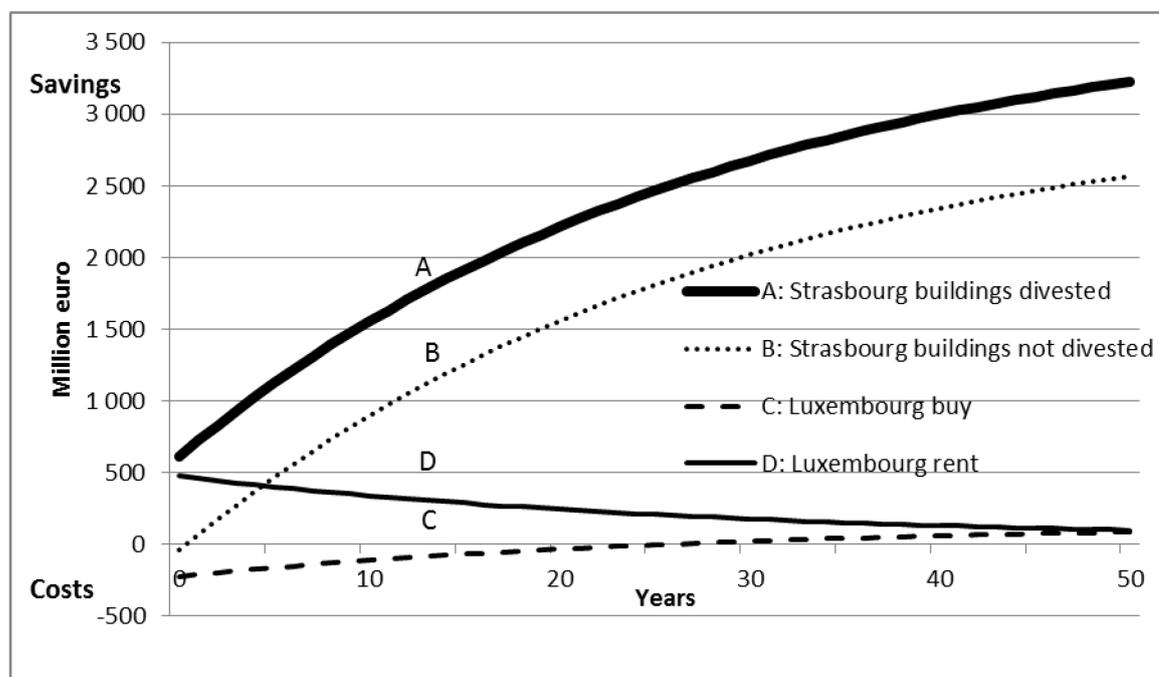
provision of 39 million euro). However, if the Parliament did not succeed in divesting the Strasbourg buildings, there would be no one-off benefit to the EU budget. The overall estimated one-off saving of 616,1 million euro would become a one-off cost of 40,1 million euro.

52. The costs and savings associated with moving from Luxembourg to Brussels would depend on whether it was decided to buy or rent the offices in Brussels:

- (a) Constructing offices in Brussels would result in estimated recurring savings of 13,4 million euro (0,7 % of the budget of the European Parliament). There would, however, be one-off costs of 220,2 million euro due to the cost of moving staff and the additional cost of constructing offices in Brussels.
- (b) Renting offices in Brussels would result in recurring annual costs, rather than savings, of 16,4 million euro (0,9 % of the annual budget of the European Parliament). There would, however, be an estimated one-off benefit of 476,1 million euro from the value of the KAD building in Luxembourg offset by the cost of moving staff.

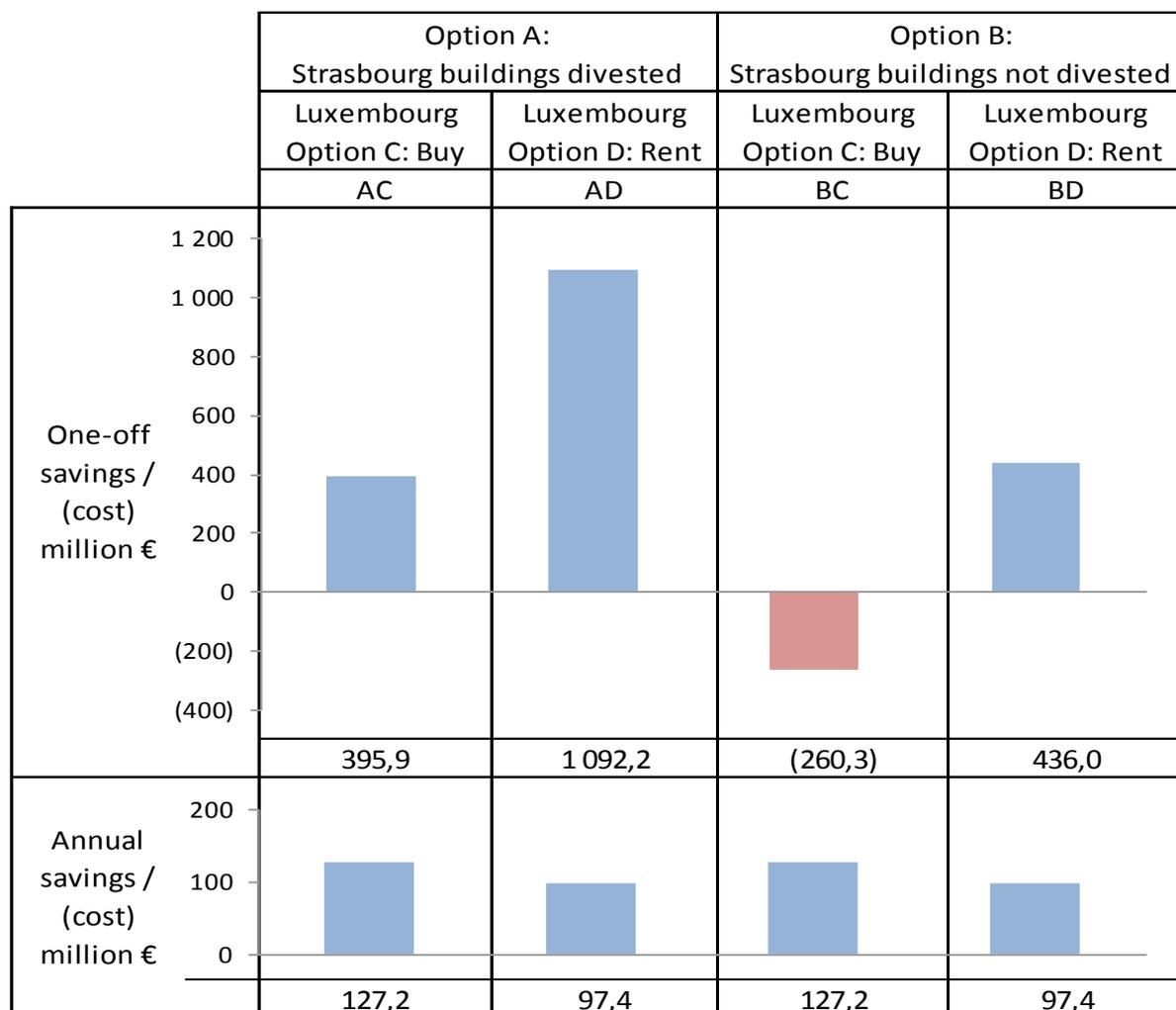
53. **Figure 12** shows the cumulative present value of the costs and savings of these four scenarios over 50 years applying a discount rate of 3,5 % (see footnote 18). Moving from Strasbourg to Brussels could generate savings of 3,2 billion euro (2,6 billion euro if the buildings are not divested). Moving from Luxembourg to Brussels could generate further savings of 0,1 billion euro, regardless of whether buildings in Brussels are bought or rented.

Figure 12 Cumulative present value of moving from Strasbourg and Luxembourg separately



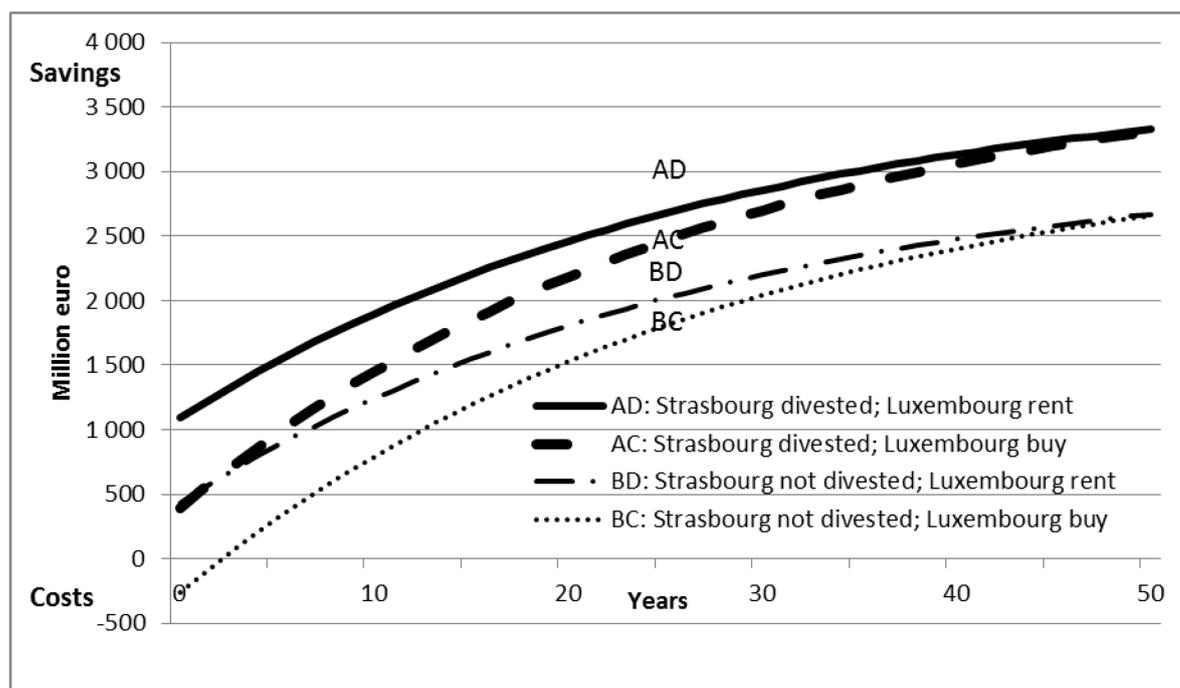
54. The estimated one-off and recurring savings of moving from Strasbourg and Luxembourg together, and centralising all operations in Brussels are summarised in **Figure 13**. Assuming the Strasbourg buildings were sold, if offices were purchased in Brussels there would be total combined recurring savings of 127,2 million euro and a combined one-off benefit of 395,9 million euro. If offices were rented there would be total combined recurring savings of 97,4 million euro and a combined one-off benefit of 1 092,2 million euro. However, if the Strasbourg buildings were not sold the one-off benefit in both cases would be reduced by 656,2 million euro.

Figure 13 Summary of one-off and recurring savings of moving from Strasbourg and Luxembourg together



55. **Figure 14** compares over time these four scenarios regarding moving from Strasbourg and Luxembourg together. For each scenario it shows the cumulative present value of the costs and savings of moving over 50 years applying a discount rate of 3,5 %.

Figure 14 Cumulative present value of savings from moving from Strasbourg and Luxembourg together



56. If the Strasbourg buildings are divested, the estimated net present value of potential savings over 50 years is some 3,3 billion euro (twice the annual budget of the European Parliament), regardless of whether offices are bought or rented in Brussels for the staff moving from Luxembourg. If the Strasbourg buildings are not divested, the estimated net present value of potential savings over 50 years is 2,7 billion euro, again regardless of whether offices in Brussels are bought or rented. Over a shorter time period renting offers greater savings than buying. The net present value over 25 and 50 years of the four combinations of options for centralising all activities in Brussels are shown in **Figure 15**.

Figure 15 Present value over 25 and 50 years of savings from centralising all operations in Brussels

Option	Strasbourg	Luxembourg	savings million euro	
			Net present value over 25 years	Net present value over 50 years
AD	Buildings divested	Rent offices in Brussels	2 676	3 325
AC	Buildings divested	Buy offices in Brussels	2 464	3 312
BD	Buildings not divested	Rent offices in Brussels	2 019	2 669
BC	Buildings not divested	Buy offices in Brussels	1 808	2 656

57. The Court's analysis of future potential savings from centralising the operations of the European Parliament does not have the same degree of certainty as an audit of historic costs. The valuations of buildings in particular are approximate. The Court has followed certain assumptions in its analysis. Any decision on whether to centralise operations will depend not only on financial considerations but also on other factors, including taking into account the applicable Treaty provisions.

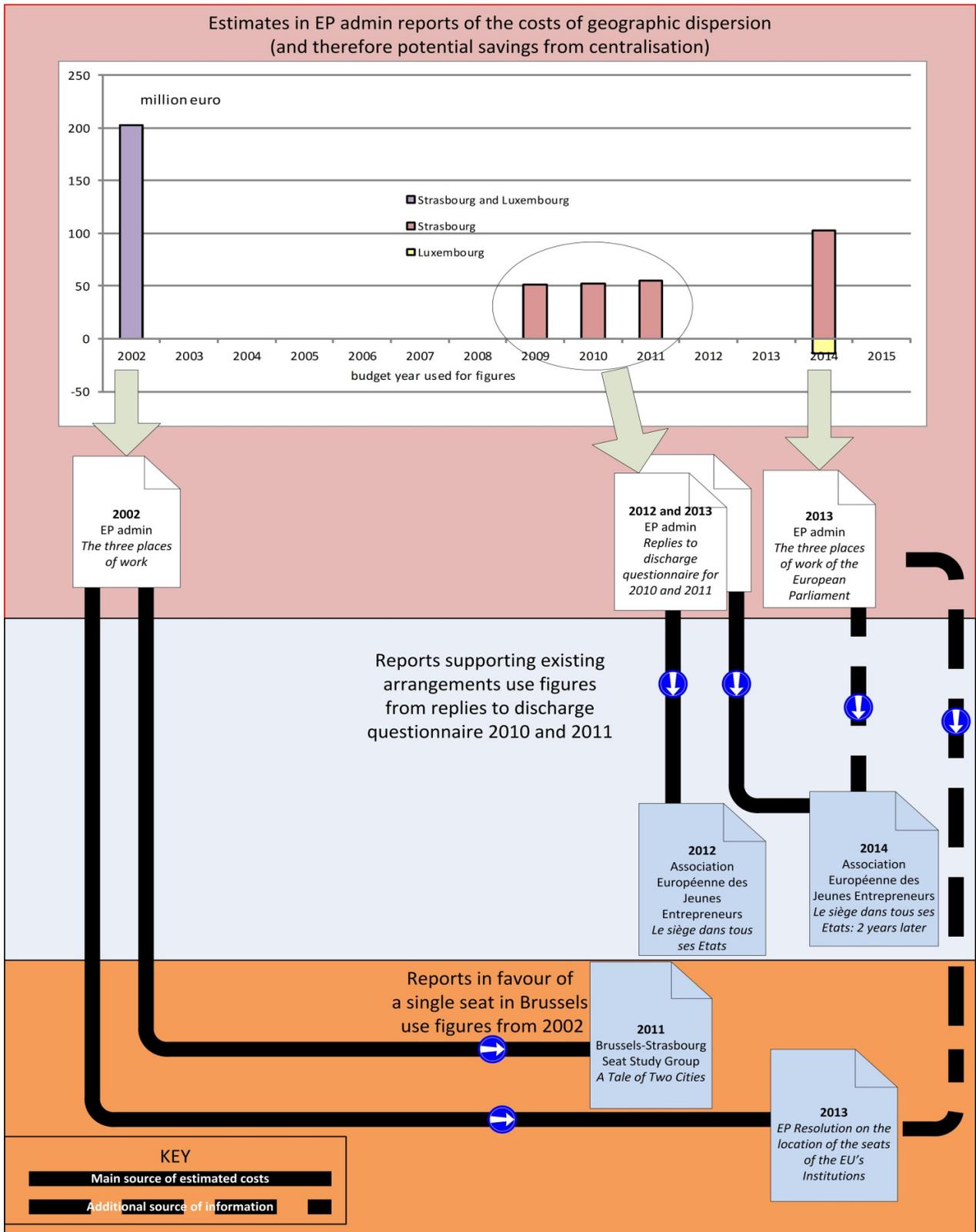
Comparison of:

- 2002 report of the European Parliament administration on the cost of maintaining three places of work
- The estimated cost of the Strasbourg seat in the European Parliament administration's replies to the questionnaire in preparation for the European Parliament's discharge for 2010 and 2011
- August 2013 report of the administration of the European Parliament on the financial, environmental and regional impacts of the geographic dispersion of the EP

Million euro

	1. 2002 study		2. Replies to discharge questionnaire			3. 2013 study		
	Cost of three locations (no single location specified)	Add 20% for enlargement	Cost of Strasbourg 2009	Cost of Strasbourg 2010	Cost of Strasbourg 2011	Strasbourg to Brussels	Luxembourg to Brussels buildings purchased / constructed	Luxembourg to Brussels buildings rented
A. One-off (costs)								
Transfer of staff							(51,3)	(51,3)
Transfer of furniture and goods							(2,0)	(2,0)
Restoration of offices							(5,3)	(5,3)
A. Total one-off (costs)	not assessed	not assessed	not assessed	not assessed	not assessed	0,0	(58,6)	(58,6)
B. One-off savings								
Income from sale of buildings/alternative use of buildings								
B. Total one-off savings	not assessed	not assessed	not assessed	not assessed	not assessed	not assessed	not assessed	not assessed
Total net one-off (costs) and savings	not assessed	not assessed	not assessed	not assessed	not assessed	0,0	(58,6)	(58,6)
C. Additional annual (costs)								
Additional one-off cost of building spread over 20 years							(29,0)	
Additional office rentals if buildings are not purchased								(17,0)
C. Total additional annual (costs)						0,0	(29,0)	(17,0)
D. Annual savings								
Distance-related savings from reduced travel, transportation and communication								
Members' mission expenses								
Travel expenses of freelance interpreters	18,0	21,6	1,1	1,1	1,1	3,1		
Staff mission expenses			8,7	9,9	10,1	12,3	4,7	4,7
Political group mission expenses						4,5	0,5	0,5
Parliamentary assistants' mission expenses			1,9	4,8	5,6	5,6		
Total mission expenses	18,0	21,6	11,7	15,8	16,8	25,5	5,2	5,2
Transport (e.g. trunks) from and to Strasbourg	9,0	10,8	0,4	0,4	0,4	0,4	0,1	0,1
Network and telephone charges						0,2	0,2	0,2
Other transport and communication	9,0	10,8	0,4	0,4	0,4	0,6	0,3	0,3
Value of staff time saved from less travel	3,9	4,7				6,0	3,2	3,2
Total distance-related savings from reduced travel, transportation and communication	30,9	37,1	12,1	16,2	17,2	32,1	8,7	8,7
Duplication-related savings from buildings and equipment								
Rent	60,0		0,1	0,1	0,1	0,1		
Construction of premises						7,3		
Fitting-out of premises			14,3	8,7	7,8	8,8		
Specific property management arrangements						1,7		
Maintenance, upkeep and cleaning			11,1	13,0	16,1	19,3		
Energy consumption			3,1	3,2	3,9	4,3		
Security and surveillance of buildings			8,3	8,5	8,1	7,7		
Insurance	18,0					0,3		
Transit offices ("Bureaux de passage")							0,6	0,6
Total buildings and associated costs	78,0	93,6	36,9	33,5	36,0	49,5	0,6	0,6
IT and telecommunications infrastructure						3,6		
Furniture						1,1		
Technical equipment and installations						7,1		
Total data processing, equipment and movable property	42,0	50,4	0,0	0,0	0,0	11,8	0,0	0,0
Total duplication-related savings from buildings and equipment	120,0	144,0	36,9	33,5	36,0	61,3	0,6	0,6
Savings from other efficiency gains								
Contract staff for Strasbourg sessions	1,2	1,4	1,9	1,9	2,1	2,3		
Medical service						0,4		
Catering expenditure						1,0		
Staff reductions from abandoning parallel structures or from economies of scale	16,7	20,0				6,0	5,7	5,7
Total savings from other efficiency gains	17,9	21,5	1,9	1,9	2,1	9,7	5,7	5,7
D. Total annual savings	168,8	202,6	50,9	51,6	55,3	103,1	15,0	15,0
Net annual (costs) and savings	168,8	202,6	50,9	51,6	55,3	103,1	(14,0)	(2,0)
Total net annual (cost)/saving concluded by each		202,6		52,6			89,1	

The use made of differing estimates of the administration of the European Parliament (EP admin)



Main hypotheses of three key studies**– The cost of geographic dispersion and potential savings from a single seat –**

	1. 2002 EP admin study	2. Replies questionnaires in prep. to EP discharges for 2009, 2010, 2011	3. 2013 EP admin study « The three places of work of the EP »
There should be a single political seat / place of work in the future.	✓		✓
- <i>Single political seat = any place</i>	✓		
- <i>Single political seat = Brussels</i>			✓
- <i>Luxembourg staff also to be moved to the single political seat</i>	✓		✓
Having the political seat in Strasbourg represented an extra cost during the previous year (in comparison with a situation where all plenary sessions would have taken place in Brussels and Strasbourg infrastructure therefore not necessary).		✓	
Location of the seat of another institution to be changed			
Supernumerary staff can be removed from total necessary staff number.	✓		✓
- <i>Supernumerary staff includes estimates resulting from economies of scale (less office space and less travel => less staff needed to manage this)</i>	✓		✓
- <i>Supernumerary staff includes estimates of efficiency savings from less travel between EP seats</i>	✓		✓ (75% of travel time = lost work time)
Contract staff for Strasbourg sessions no longer needed / represent an extra cost	✓ (also recruited for committee meetings)	✓	✓
For MEPs, differences in travel costs to reach the political seat, depending on its location, taken into account			
MEPs' mission expenses between the 3 places of work could be saved / represent an extra cost.			
EP staff mission expenses between the 3 places of work could be saved / represent an extra cost.	✓	✓ Only missions to Strasbourg (not to Lux. / not from Lux. to Brussels)	✓
Political groups' mission expenses to Strasbourg seat could be saved / represent an extra cost.	✓		✓
Parliamentary assistants' mission expenses to Strasbourg seat could be saved / represent an extra cost.		✓	✓
Travel expenses of freelance interpreters to Strasbourg could be saved / represent an extra cost.	✓	✓	✓
Other institution's staff mission expenses to Strasbourg seat (e.g. EC and Council staff) could be saved / represent an extra cost.			
Cost of transporting trunks, MEPs... between Strasbourg and Brussels could be saved / represent an extra cost.	✓	✓	✓
Less office space needed (because no longer need for "bureaux de passage" and less staff needed)	✓		✓

	1. 2002 EP admin study	2. Replies questionnaires in prep. to EP discharges for 2009, 2010, 2011	3. 2013 EP admin study « The three places of work of the EP »
Rented vacated buildings not to be rented any longer	✓		
Owned vacated buildings sold / rented / used by another EU Institution, Agency or other body			
Owned vacated buildings still to be maintained, heated, etc.			
Buildings associated costs related to Strasbourg vacated buildings could be saved / represent an extra cost	✓	✓	✓
- <i>Maintenance, cleaning, energy consumption, security, insurance</i>	✓	✓	✓
- <i>Fitting-out</i>	✓	✓	✓
Furniture and equipment costs of Strasbourg vacated buildings could be saved	✓		✓
Network and telephone charges of Strasbourg vacated buildings could be saved	✓		✓
Catering service in Strasbourg could be suppressed	✓		✓
Medical service in Strasbourg could be suppressed			✓
New buildings to be purchased / rented			✓ (to accommodate Luxembourg staff in Brussels)
- <i>New buildings to be maintained at the same cost as the ones in Luxembourg</i>	N/A	N/A	✓
- <i>New buildings to be furnished and equipped at the same cost as the ones in Luxembourg</i>	N/A	N/A	✓
Valuation of floor space not continuously used	N/A (All buildings were rented.)		✓ But not included in the total figures
One-off costs linked to a move	✓ But not included in the total figure of 169 /203 Mio		✓

Summary of potential savings from centralising in Brussels

