



INFO-C

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Relations between consumers and industry are one of the pillars of consumer policy in Europe.

The European Commission attaches great importance, of course, to these relations being fostered on an ongoing basis and in concerted fashion.

Directorate-General XXIV has therefore taken the initiative, together with UNICE (Union of Industrial and Employers' Confederations of Europe), which represents European industry, of organizing on 2 December in Brussels a first conference on the subject of: **'The dialogue between enterprises and consumers in Europe'**.

EDITORIAL

by *Spyros Pappas*,

Director-General for Consumer Policy

The aims of this conference are threefold:

1. to examine the experiences arising from the dialogue between enterprises and consumers, whether it be a direct, individual dialogue between the enterprise and the consumer or an institutionalized dialogue;
2. to draw conclusions from these experiences, from both enterprises' and consumers' point of view, taking account of the varying degrees of progress made throughout Europe;

3. to formulate recommendations and lines of action for the future so as to galvanize the dialogue between the business world and consumers.

Chaired by Emma Bonino, Commissioner responsible for consumer policy, and François Périgot, President of UNICE, this conference will give 200 participants, representing consumers and industry, an opportunity to exchange views and thus to make an effective contribution to the future of Community policies.

(Editor's note: INFO-C will come back to the proceedings of this conference in its next issue.)

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We are pleased to present on the following pages the consumer policies pursued in Belgium, Germany, Spain, Austria, Sweden and Finland, in the form of articles authored by the directors-general of the authorities responsible for consumer affairs in these countries.

We hope to receive soon the other contributions, so that we can publish them in our future issues.

Consumer policy in Belgium

Belgian consumer protection policy today is based on the 1995 governmental agreement programme.

The objective of this programme is to flesh out the five fundamental and universally recognized consumer rights:

1. the right to protection of consumers' economic interests;
2. the right to protection of consumer health and safety;
3. the right to information and training;
4. the right to compensation and damages;
5. the right to representation.

The promotion and defence of these rights is the task of the federal and community authorities. At federal level, it is generally the Minister for the Economy that is responsible for consumer policy, while the Minister for Public Health is responsible for consumer health.

The current programme consists of initiatives coming within the remit of the Department of Economic Affairs or other ministerial departments.

The first category includes:

1. legislative and regulatory initiatives designed to protect the legal and economic interests of consumers:
 - evaluation and, where appropriate, reform of the existing regulations, notably in the field of commercial practices, consumer credit and mortgage loans;
 - adoption of preventive and remedial measures in connection with consumer debt;
 - framing of legislation to protect timeshare purchasers;
2. socio-economic initiatives:
 - preparation of consumers for the transition to the single currency;
 - adaptation of the information society to consumer needs;

3. measures to implement the new Consumer Safety Act and the Safety Commission created to this end;

4. measures to provide the different population categories with appropriate, easily understandable information on consumer issues, whether in the form of personal information ('info-consumer' service) or as general information (leaflets, booklets);

5. measures designed to facilitate and expedite the settlement of consumer disputes, by creating or supporting dispute committees, such as the Holiday Dispute Committee.

As to the second category, it comprises measures regarding rents, foodstuffs, protection of privacy, or guaranteed access to public utility services.

L. Van Boxstael
Director-General
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Consumer policy in Germany

In line with its overall economic policy, the Federal Government pursues a market-oriented consumer policy. Production is not an end in itself. The social market economy rightly puts the focus on consumers and their interests. Firms must adapt output to changing patterns of consumer demand. Therefore, dynamic and undistorted competition is of the essence. The Federal Government is cognisant of this and hence pursues a policy of deregulation and privatization both at national level and in cooperation with other EC countries. The Government also supports the Community's global trade policy in the interests of greater international competition.

The main instruments used to give consumers greater clout are promotion of supplier-independent consumer information, encouragement of effective consumer representation, and the development of adequate statutory

protection of consumers both at national and Community level.

The Federal Government has long been clear as to who should do what in consumer policy. Representation of consumer interests and providing information to consumers are not primarily a job for the state, but for private organizations. The Government is convinced that private agencies are better at these tasks. However, consumer organizations need adequate public funds. Here, with an eye to making the most of the taxpayer's money, the Government insists on efficient management structures, but the organizations are completely independent as to the substance of their work.

Statutory protection of consumers' economic interests and of their life and safety are however by their nature a government responsibility. This protection includes the preparation

and adoption of national rules and participation in the preparation of Community law. In this framework the Government, while pursuing its consumer policy objectives, wants the principle of subsidiarity to be observed and shuns overregulation. The government's main concern is that the law should help make the market work and that consumer protection should wherever possible be promoted by improving market transparency and competitiveness. Insofar as additional consumer protection is required in the shape of civil or public law provisions, the Government tries to achieve this objective without burdening the business community with overly complex or detailed rules involving unacceptable costs of compliance or shackling their entrepreneurial freedom.

Ulrich Geisendörfer
Head of the Consumer Policy Division
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Consumer policy in Spain

The legal basis of consumer protection in Spain is Article 51 of the 1978 Constitution, which provides that *'the public authorities shall be responsible for protecting consumers and users by taking appropriate measures to safeguard their safety, health and legitimate economic interests. The public authorities shall promote the information and education of consumers and users, support their organizations and consult them on matters likely to concern consumers*

and users, in accordance with the procedures laid down by law'.

Naturally, measures to protect consumers and users are designed to flesh out their legal rights, bearing in mind the socio-economic context. Today this context is undergoing rapid change and citizens sometimes have difficulties in adapting. This means we must constantly strive to establish a balance between the different market players.

Besides, while encouraging competition and free access to the market, consumer policy must see to the protection of the legitimate interests of various social groups, notably the most disadvantaged, since it has a direct and tangible impact on the population's living standards and quality of life.

Finally, Spanish consumer policy legislation must comply with the European rules.



On the basis of these principles the Spanish government has defined a number of basic directions for its consumer policy:

1. *Encourage permanent dialogue between the administration, the economic operators and consumer organizations*

The objective of the National Consumer Institute is to encourage the adoption of measures designed to eliminate certain shortcomings in the field of consumer protection and to foster the introduction of good practices vis-à-vis consumers. Specifically it encourages the organization of concertation meetings between all the market players in all domains which are of immediate relevance to consumers: foodstuffs, advertising, financial services, etc.

2. *Improve consumer education and information*

As regards education the National Consumer Institute emphasises the transversal dimension of consumer training. It works together with the teachers' continuing education centres, prepares teaching resources for distribution in the schools, etc.

Information, too, is felt to be a most effective way of empowering consumers to defend their interests themselves. The National Consumer Institute's policy is to make the most of the new communication technologies, to provide objective information to all consumer protection bodies, and to scrutinize the reviews published by the consumer organizations, which are an invaluable source of information.

3. *Support consumer associations and strengthen their participation in decisions which concern them*

The National Consumer Institute supports the work of the Council of Consumers and Users, an umbrella body for the representation and consultation of consumer organizations at national level.

It also provides subsidies to consumer organizations to implement programmes and activities to promote and protect consumer rights.

4. *Strengthen and modernize the regulatory framework in order to safeguard the rights and legitimate interests of consumers*

Spain has a substantial corpus of consumer law which must be constantly adapted to changing circumstances.

5. *Consumer policy must respect the environment*

Consumer behaviour has a decisive impact on the environment. This is why the Spanish government is trying to define a model of durable consumption in respect of natural resources. There are plans to adopt measures to sensitize all the market players.

6. *Guarantee the safety of consumer products*

There is a major drive to inform the public objectively about the risks linked to the use of certain products and how to avert them.

7. *Facilitate dispute resolution*

Rules enshrining consumer rights will remain a dead letter if consumers are unaware of their existence or if they cannot exercise these rights in practice for want of a rapid and effective dispute resolution mechanism.

Arbitration is a mechanism which has recently been introduced to settle consumer disputes. It has the advan-

tage of being both swift, effective and free of charge for the consumer. Arbitration decisions have the same status as court judgments and the parties may sue to have them enforced.

During the current phase of implementing this voluntary mechanism, it is up to the authorities responsible for consumer policy to demonstrate how it can serve both consumers/users and suppliers. This will involve a large-scale information campaign, as well as rigour in implementing the system.

8. *Cooperate with the countries of Latin America which are trying to develop their consumer policy*

Because of the centuries-old links between Spain and the countries of Latin America, Spain supports their nascent consumer policies. Calls for cooperation are insistent enough to justify Spain's devoting some of its resources to helping these countries achieve an adequate level of consumer protection.

9. *Require that goods and services offered to consumers comply with the standards in force*

The free movement of goods within the European Union, the removal of checks at the internal frontiers and the shift from inspection at the place of origin and the frontier to inspection at the place of destination have made it necessary to intensify controls at retail level, where the goods and services are sold to the consumer or end user.

10. *Encourage the cooperation of all the government agencies with consumer policy responsibilities in the interests of effective action*

Given Spain's political and administrative structure, there are three levels of responsibility: local, regional



(autonomous communities) and national. Each of these levels has powers in the consumer field. Moreover, since Spain is a member of the European Union, its consumer protection policy is in large measure shaped by Community guidelines and rules (see the following point).

Moreover, the idea of consumer protection, which is gradually making an impact on public opinion, has also been taken up by the national and regional government services whose sectoral policies (industrial quality and safety, agriculture and foodstuffs, tourism, energy, telecommunications, financial services, insurance, trade, competition, the economy, the environment, etc.) impinge upon consumers' quality of life.

All this requires collaboration between all parties concerned, to ensure that the entire edifice is not endangered and that existing resources are put to good use.

11. *Give Spain's measures a European dimension*

European citizens have seen their situation progressively improve in the general framework of Community policy. The Maastricht Treaty was a watershed in this respect. Consumer protection is now based on Article 3 and is the subject of Article 129a in Title XI.

This qualitative leap, integrating consumer rights into the notion of European citizenship, should stimulate Spain to throw its weight behind this common venture.

This is why this final policy strand, which envisages the authentic integration of the Spanish citizen in Europe, with the guarantee of a standard of living commensurate with the state of the national economy, infuses consistency into the programme as a whole.

In implementing the programme, the government agencies responsible for consumer protection will draw inspiration from the Commission Communication on Priorities for consumer policy in 1996-1998.

Ismael Díaz Yubero
Vice-President
National Consumer Institute
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Affairs

Consumer policy in Austria

1. History of consumer policy in Austria

Since 1970 consumer protection and consumer policy have been a government responsibility in Austria. Initially the consumer policy portfolio was entrusted to the Federal Ministry of Trade and Industry and so from the outset there were very close links with price law, trading law and competition law. As a result, the mainstream approach in consumer policy was to regulate the market in the interest of consumers, chiefly by influencing prices, whereas other sectors, such as financial services (banks and insurance) or private housing were initially excluded.

Consumer advice bureaux helped consumers by providing price-quality comparisons mainly designed to

protect buyers against being overcharged. The proliferation of consumer goods made it increasingly difficult to compare products meaningfully and led to distortions of competition. To address this situation, uncongenial to professionals and consumers alike, a large number of labelling regulations were adopted.

Market asymmetries, which despite all the measures taken still worked to the disadvantage of consumers, were only overcome in the next stage. The Consumer Protection Act of 1979 - the first milestone in civil law - introduced a raft of corrective provisions outlawing sharp practices associated with these asymmetries. These protective provisions were supplemented by rules governing the practice of certain trades where abuses were rife.

In the late eighties - partly thanks to the transfer of the portfolio to a different ministry (the Federal Ministry of the Family, Youth and Consumer Protection and, shortly afterwards, the Federal Ministry of the Environment, Youth and Consumer Protection) - a new approach began to materialize, away from price and quality control towards a more comprehensive view of consumer policy.

2. Tasks of consumer protection today

As understood both by the ministry and the people of Austria as a whole, consumer protection is essential to a functioning social market economy, in which professionals and consumers do business on equal terms. It is not restricted to outlawing unfair practices and pursuing 'black sheep', but stands



for a comprehensive view of fair relations between consumers and firms; embracing also the ecological and social impact of consumer behaviour: product safety, food safety, consumer debt, housing law, price law, financial services, public services, and the award of the Austrian environmental logo.

New technological and economic developments open windows of opportunity for consumers but they also bring risks which an active consumer policy has to address. The instruments of consumer policy have become more complex and differentiated: promotion of competition and transparency are becoming increasingly important, as is focused and comprehensive consumer information. And as in all developed market economies, legal instruments to protect consumers are also needed.

In recent years consumer policy has extended its reach to areas outside the remit of consumer protection in its original sense, and there has also been a growing drive to make consumer policy more effective. While traditional consumer policy revolved around the improvement of consumers' level of information and legal status after the fact - in other words reacted to market developments - the mission of the new-style consumer policy must be to influence proactively the design and planning of products and services. Given the trend towards increasing deregulation this means that in laying down the ground rules of the market due consideration should be given to consumer rights.

Although consumer policy has quite deep roots in Austria, its practical implementation is often difficult

because of the wide range of areas covered and the resulting profusion of structures: the primary task of the Federal Ministry of Health and Consumer Protection is to coordinate all domains with a consumer policy dimension, where in many cases other ministries are responsible. This means intensive cooperation with the responsible ministries, business lobbies, the scientific community and the leading private consumer protection organization in Austria, viz. the Consumer Information Association), which includes representatives of the four social partners (the Federal Chamber of Trade, the Federal Chamber of Employers, the Austrian Trade Union Confederation and the Conference of the Presidents of the Agricultural Chambers), as well as the Republic of Austria, represented by the Federal Ministry of Health and Consumer Protection.

3. Work in progress at the Federal Ministry of Health and Consumer Protection and achievements to date

In recent years the Federal Ministry of Health and Consumer Protection, headed by Minister Dr Christa Krammer, has been closely involved in preparing a large number of important bills, with considerable success.

Private insurance law has been overhauled, whereby - to offset the abolition of the inspectorate responsible for protecting policyholders - the consumer's position in civil law has been improved. Besides - in the financial services sector - there is the new Banking Act and the Supervision of Securities Act, currently being drafted.

Also being reworked is the law governing consumers' statutory rights,

which should lead to improvements mainly in regard to the guarantee period and the burden of proof. A number of gaps in the Consumer Protection Act resulting from economic developments are also to be filled in the near future.

Since*1994 a new holiday law has been in force. However, it does not provide adequate safeguards in the event of the tour operator's becoming insolvent and hence should be reviewed with an eye to more effective supervision of the tour operators' insurance arrangements in the consumer's interest.

The recently approved Intermediaries Act created a clear legal basis governing the specific duties of brokers (including real estate agents and insurance agents) vis-à-vis consumers. In addition to improved training, there is also a need for a statutory basis to regulate the activities of 'agents' and insurance intermediaries, on the lines proposed in the recommendation on insurance intermediaries.

A credit reporting system, in which all banks and other grantors of credit (such as leasing firms and direct marketing firms) could participate, is currently being prepared. Its purpose is to prevent consumers from over-indebtedness.

The state's influence in the domain of 'public services' or 'infrastructure services' such as energy and water supply, public transport, etc., is being steadily eroded through privatization and deregulation. The role of consumer policy in this connection is to keep close tabs on monopolies and potential distortions so as to provide a corrective. In the field of new



technologies, consumer policy must address the issues of data security, data protection and access to new information, telecommunications and media services. The statutory framework to be created must take consumer protection into account.

The Ministry is also closely involved in preparing housing legislation, such as

the recent project to regulate the activity of real estate agents and outlaw excessive commission rates (Real Estate Agents Regulation).

Access to the European Union has also given a fresh impetus to Austrian consumer policy, and government and consumer organizations alike are facing new challenges. Austria hopes

to play a constructive role in the development of consumer protection in Europe.

Gottfried Mayer
Head of the Consumer Protection
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Consumer Protection

Consumer policy in Finland

Finland's consumer policy is implemented by several institutions. Let us first take a quick look at each of them.

The general administration of consumer policy is handled by the **Ministry of Trade and Industry**, which is responsible for the development of consumer legislation in collaboration with the Ministry of Justice, for international cooperation in consumer affairs, the maintenance of contacts with the various advisory committees or councils competent in this field, and for processing all decisions to be made at ministerial level.

The **National Consumer Administration** is responsible for monitoring product safety, informing and educating consumers, conducting surveys on products and services, especially price surveys, supporting the work of the municipal consumer counsellors, and making sure that the consumers' interests are taken into account in all areas of social policy.

The **National Consumer Research Centre** is responsible for conducting objective research on all aspects

related to consumption, consumers and consumer goods.

The **National Food Administration** is responsible for monitoring the safety and quality of foodstuffs.

The **Consumer Complaint Board** is responsible for making recommendations on the settlement of complaints lodged by consumers about products or services. Also, when a dispute reaches a court of law, it may make recommendations on how it should be resolved.

The **Consumer Ombudsman** checks the legality of marketing practices and contract terms. It may also assist a consumer in legal proceedings if the Consumer Complaint Board's recommendations have not been followed, or if such a course of action is in the public interest.

The **Market Court** is responsible for adjudicating on all matters referred to it by virtue of the Consumer Protection Act or the Unfair Business Practices Act. It is mostly concerned with marketing practices and contract terms.

The local **County Governments** are responsible for a variety of tasks, including checking the safety of products on the market, especially foodstuffs.

Let us now focus on the activities of (I) the National Consumer Administration, and (II) the Consumer Ombudsman.

I. The National Consumer Administration is an expert body whose purpose is to monitor the safety of consumer goods and services, to promote consumers' financial security and to influence social policy with a consumer dimension.

Priorities vary according to changes in the consumer environment. At present, they are informed by the risks and opportunities presented by membership of the European Union, which Finland joined at the beginning of 1995, i.e. making sure that the benefits of the Single Market reach consumers, producing consumer information on the Single Market, minimizing problems in cases of cross-border shopping, and evaluating the potential effects on consumers of the shift to a single currency. Other



equally important issues tackled by the National Consumer Administration include electronic trade, product safety, the opening up of the telecommunications and electronic media markets to competition, and the impact of Finland's general economic situation, with its high level of unemployment, on households' resources.

Let us now focus on some of the key objectives pursued by the National Consumer Administration.

1. Ensure that only safe products are offered to consumers

The National Consumer Administration, assisted by the provincial governments and municipal health inspectors, closely monitors the market and participates in standardization work.

When Finland joined the European Economic Area the National Consumer Administration began to build a market surveillance system. Last year, for example, it conducted 23 control operations, of which nine concerned the safety features of various products and 14 concerned labelling. In the case of labelling alone, nearly 12 000 products were checked, and 29% were found to be in breach of the rules. As a result, in addition to providing advice in a large number of cases, municipal health inspectors issued 7 sales bans, 401 written warnings and 1 198 oral warnings. Since product safety control also includes services, last year the National Consumer Administration prepared safety guidelines for ski slopes and monitored their implementation, and inspected 1 348 playgrounds and 195 gyms.

The National Consumer Administration also commissions broader surveys concerning the safety of different

product categories with a view to developing control methods. This year surveys have focused on lipsticks, nail polishes, toys, children's face paints, children's bicycles, children's swim goggles, snorkels and diving masks, children's cribs, and shopping carts with child seats.

The National Consumer Administration also handles individual notifications. Around 100 such notices involving suspected hazards of consumer goods and services are received annually.

The National Consumer Administration also keeps the EHLASS register. The information is collected from four hospitals that treat home and leisure accidents.

Finally, since - according to a study the National Consumer Administration conducted last year - firms are often unfamiliar with product safety requirements, it has launched special projects designed to improve the level of information of firms in the furniture, cosmetics and toy sectors, and has started to work together with study centres for aspiring entrepreneurs.

2. Improve the position of consumers on the market

The National Consumer Administration's role is to make sure that consumers have access to all relevant information about product prices, quality and environmental effects.

Price is obviously an important factor for shoppers. Every year the National Consumer Administration carries out, alone or together with the provincial governments, between 20 and 30 price comparison surveys of potentially problematic products or services. This year surveys were conducted on the costs of mail-order sales, bank loans, private health clinics, animal clinics,

driving schools, phone calls and products with environmental labels.

For example, the telecommunications market has been gradually opened up to competition over the past few years and the National Consumer Administration has repeatedly compared the prices of phone calls in order to verify that prices are really falling as a result. By September 1996 the prices of domestic long-distance calls had indeed dropped by nearly half.

Another example is that of price comparisons of foodstuffs, which are designed to identify the effect of EU membership on the price level: the price of food has been shown to have fallen by about 10% since Finland joined the EU. The National Consumer Administration also keeps tabs on competition in the distributive trade, and checks the accuracy of advertising claims made by stores.

The National Consumer Administration monitors price marking in cooperation with the provincial governments. There is still room for improvement, particularly in the service sector and at outdoor and indoor markets and similar locales. Attention is paid to incorrect price marking when information is being collected for price comparisons. This year surprise inspections have also been arranged at markets, and provincial inspectors have even asked the media to come along in the hope that publicity would help speed up improvements.

Comparative quality tests are performed by the National Consumer Administration for *Kuluttaja* magazine, both on its own and in cooperation with IT. Test results always include information on environmental effects, so that consumers can guide the market in a more environmentally-



friendly direction. Moreover, the National Consumer Administration is working to publicize the Nordic environmental label, the Green Swan, which, for the time being, is the only reliable environmental label for most product categories.

Every autumn, the National Consumer Administration publishes a consumer survey of services which, by ranking different firms in 33 service fields according to value for money, provides them with the necessary information and motivation to improve their services. In addition, the National Consumer Administration's annual OPINIO survey monitors consumers' opinions on topical issues. This year it focused on consumers' views, information and experience regarding the EMU, the energy consumption of domestic appliances, the cost of using a mobile phone, and gene technology. Whether information about products or services concerns their price, quality or environmental effects, the question arises as to what form it should take and how it should be conveyed to consumers. The National Consumer Administration's task is to produce independent information in condensed and comparative form, far removed from the fragmented information offered by the market. One important channel for bringing this information to consumers is *Kuluttaja*, a magazine published by the National Consumer Administration whose circulation has been rising steadily over the past few years. Again, the National Consumer Administration is constantly developing and testing new channels - computer games for school children, TV programmes, the Internet, regional campaigns, mailings, fairs and other big public events, etc. Overall, the National Consumer Administration has

to cope with two big challenges. Firstly, with markets becoming more diverse and complex, it faces rapidly rising consumer demand for information, while, secondly, with consumers becoming an increasingly heterogeneous group, it must constantly reevaluate their needs if it wants to inform them effectively.

3. *Support local activities in favour of consumers*

One of the guiding principles of Finland's consumer policy is that it should be close to consumers.

Finland has 200 municipal consumer counsellors who help consumers resolve disputes with firms (around 70 000 cases per year), and distribute information to citizens, either directly or through organizations, in schools or at public events. The National Consumer Administration arranges in-service and further training for these counsellors and produces the information resources they need.

Finland has 12 provincial governments, which in product safety matters serve as coordinators for local market monitoring projects. The provincial governments also employ inspectors in the area of consumer and competition law who conduct local price comparisons and monitor price marking. At any given time the National Consumer Administration is involved in one or two special projects together with the provincial governments to find new and effective ways of distributing information and encouraging the local authorities, the media, industry and commerce to cooperate.

II. The Consumer Ombudsman has a threefold responsibility: 1. to improve the legal position of consumers

in selected priority areas; 2. to ensure a level playing field among competitors *and* between suppliers and consumers; and 3. to offer legal advice to individual consumers in matters related to marketing practices and contract terms.

1. *Priority areas* are defined for two-year periods, based on consultations with other institutions dealing with consumer affairs (see above) and consumer organizations. Currently, they are: a) essential services, b) housing, and c) new marketing methods.

a) Essential services

Essential services are those which no consumer can do without, e.g. electricity, heating, a telephone line, etc. The Consumer Ombudsman ensures that everyone has access to them at reasonable prices, and that the specific legislation governing them is in compliance with the Consumer Protection Act. Moreover, over the past few years, while the electricity and telecommunications sectors were undergoing reform, he has helped secure the rights of consumers. Finally, he recently had the scope of essential services extended to include banking and insurance services.

b) Housing

Finnish housing legislation was recently reformed - a new Act on housing transactions came into force in Autumn 1995, with changes affecting both rental and owner-occupied housing. Contracts tend to be extremely complex, and the Consumer Ombudsman tries to make them more consumer-friendly. Currently, a revision of the terms in contracts with estate agents, as well as an investigation into the way rented accommodation agents operate, are in progress.



c) New marketing methods

New techniques are constantly being developed to try to influence consumers' shopping decisions. Consequently, it is increasingly difficult for consumers, especially children, to recognize advertising for what it is. The Consumer Ombudsman monitors these developments and sees to it that they conform with the Consumer Protection Act.

2. *Supervision of compliance with marketing rules* is crucial for effective competition. The Consumer Ombudsman intervenes in individual cases

related to marketing practices or contract terms either on the basis of his own observations or in response to a notification from an outside party. Some 1 300 notifications are received annually. The Consumer Ombudsman can choose between trying to reach a settlement, in which case he delivers a detailed opinion based on the provisions of the Consumer Protection Act, issuing an injunction, or bringing the case before the Market Court. The number of injunctions and cases brought before the Market Court does not normally exceed 20 annually.

3. The Consumer Ombudsman may *assist a consumer in an individual civil case*, if he finds the case to be important in the light of the interests and rights of all consumers, or if this is in line with the practice of the Consumer Complaint Board.

Kristian Tammivuori
Senior Counsellor

National Consumer Administration

Consumer policy in Sweden

In Sweden, consumer policy has long been considered a matter for public concern. Its roots go back not only to the time when many households had a hard time making ends meet, but also to the post World War II years of affluence, when basic consumer rights were difficult to assert.

Objectives

Its general objectives, adopted by Parliament in 1972, 1986 and 1995, following proposals from the government, are to:

- help households make the best use of their money and other resources;
- strengthen the position of consumers in the market;
- protect the health and safety of consumers;
- promote sustainable production and consumption patterns.

Given the social dimension of consumer policy, it has been decided that priority should be given to:

- satisfying the vital needs of households (food, housing, clothing, transportation and other essential services);
- the protection of economically or socially vulnerable consumers, and those with special needs and requirements (children and young people, the unemployed, the disabled, immigrants, etc.);
- the interests of consumers in the international context.

Sweden's consumer policy is, to a great extent, based on prevention, which consists of consumer education and information, market surveillance, and product improvement through testing. But, of course, it does not ignore informal and fair complaints handling, or more formal means of consumer redress. The emphasis is on cooperation between the various parties, on a close collaboration between public and private consumer bodies, and on the part played by business in improving the position of consumers in the market.

Organizational set-up

Konsumentverket, the Swedish Consumer Agency, which includes the Consumer Ombudsman, is the central body in charge of consumer affairs. It is administered by the Ministry of the Interior, but enjoys a large degree of independence within the scope of its objectives. However, it is not alone in dealing with consumer matters. Food, cars, pharmaceuticals, chemical products and house-building, for instance, are supervised by specialized bodies which cooperate closely with Konsumentverket.

Konsumentverket concentrates on:

- problems related to household finances;
- product testing;
- consumer influence on international standardization;
- negotiations with trade and industry to improve the position of the consumer;
- market surveillance and enforce-



ment of consumer laws in marketing, contract terms, product safety, etc;

- consumer education and information.

The Consumer Ombudsman represents consumer interests in relation to business, and pursues litigation under the market laws on behalf of consumers collectively. Specialized staff at Konsumentverket assist him in, for instance, carrying out investigations.

Consumers have access to quick and easy dispute resolution through the National Board for Consumer Complaints (see below).

At local level, the municipal consumer advice centres, which exist across the country, are a vital part of consumer protection. Although municipalities are not obliged to provide this service, most of them do (240 out of 288 as at November 1996), as they see it as preserving the economic interest of the local community. As a result, about 90 percent of people have access to a consumer adviser in their own municipality.

The service is free of charge and includes consumer information, budget advice and help in the settlement of disputes (over 90 percent of complaints are settled informally and locally). Moreover, market control is increasingly being carried out by local advisers, who get continuous support from Konsumentverket in the form of training, information and expert advice.

Consumer organizations have not been as prominent in Sweden as in some other countries, but are now playing an increasingly important role, especially in voicing consumer's opinion regarding, for instance, prices, public utilities, food quality, or the

environment. In order to strengthen their involvement in consumer policy, as well as their influence on the market, they receive support from Konsumentverket.

The business sector has long had its own rules and guidelines for preventing or resolving problems in relation to consumers. The government believes in, and encourages self-regulation as a complement to consumer protection laws. Today many trade organizations have established self-regulatory programmes, some of them elaborated in co-operation with Konsumentverket. Most of them concern complaints handling and ethics in marketing.

Fulfilling the goals

1. Helping households

Deregulation of the credit market in the 1980s caused many households to pile up debts they could not afford and which they are still paying back. In addition, due to falling wages, increasing unemployment and cuts in social welfare over the past few years, the economic problems of many households have worsened. To support these households is a priority.

To get an idea of how much money a household needs in order to maintain a reasonable standard of living, Konsumentverket calculates 'reasonable living costs' for different types of families every year, with special attention paid to basic items such as food, clothing, etc. Changes in prices, taxes, salaries, etc., are also taken into account. These calculations are used not only by local consumer advisers, but also by the social authorities when they estimate the levels of different public subsidies. These figures also alert politicians to the effects their

decisions have on households.

To help households reduce their food costs, Konsumentverket draws up an annual 'food bill', based on nutritional needs and local price surveys. This bill, as well as comparative product testing - mainly of basic consumer goods and domestic appliances - provide consumers with information that helps them choose the products they can afford.

The household budget can also, however, be affected by the unavailability of everyday commodities. In many sparsely-populated parts of Sweden there are few shops left, which forces consumers to spend a lot of money travelling to shops with a limited and expensive supply. To ensure the availability of basic products in these areas Konsumentverket gives support to shops threatened with closure.

As many households need help getting their finances in order, because of debts or for other reasons, giving advice on personal budget matters has become one of the major tasks of local consumer advisers. Evaluations show that this work has been a good investment for society as a whole.

In 1994, Parliament passed a special Debt Reconstruction Act, giving overindebted households the possibility of having their debts rescheduled, or even written off. A recent evaluation shows that the Act is fulfilling its goal.

2. Strengthening the position of consumers

During the past 20 years consumer legislation has developed greatly. This includes both market legislation, which protects consumers collectively, and civil law, which protects consumers as individuals.



As far as civil law is concerned, examples include the Consumer Sales Act and the Consumer Services Act, adopted in the 1990s, within which Konsumentverket's role is to inform the public, and train local consumer advisors so that they can give consumers effective advice in legal matters.

As far as market legislation is concerned, the Consumer Ombudsman and Konsumentverket act as law enforcement bodies.

Today there is a number of laws that protect consumers from abuse. The most important are the Marketing Act, prohibiting improper marketing practices, the Unfair Contract Terms Act and the Product Safety Act. Certain violations of various other consumer laws, such as the Consumer Credit Act, are also considered violations of the Marketing Act and can be tackled according to this Act.

Konsumentverket is normally alerted to violations of the laws by complaints from consumers (about 3 500 per year), by observations from local advisers, or by its own market surveillance system. In most cases, suppliers are willing to change their practices voluntarily. If not, the Consumer Ombudsman has the power to impose different injunctions, combined with fines which suppliers have to pay if they ignore the injunctions. Since 1996 the Ombudsman can also, in certain cases, get courts to impose a special 'market disruption fee' even after a first violation.

But it is even better to *prevent* violations of laws. This is achieved via negotiations and agreements - on marketing practices, contract terms, etc. - between Konsumentverket and individual companies or a whole

industry. The contract terms now used in almost all standard contracts are a result of such negotiations.

As the very low proportion of injunctions and of cases brought to court (less than one percent) indicates, the voluntary approach has been successful.

The Consumer Ombudsman can also issue guidelines, elaborated in consultation with the industry or business sector concerned, which complement the legislation.

The position of consumers greatly depends on their ability to have their rights enforced. Rapid and cheap access to justice is therefore considered a basic requirement. In 1968 a special public body, the National Board for Consumer Complaints, was set up to make it easier for consumers to settle their disputes. A Board's decision is not binding and cannot be appealed. It is a recommendation to the parties on how to settle the dispute. But the vast majority of these recommendations are followed and therefore, one can say that the Board, which handles about 6 500 cases per year, has proved to be an easy, rapid, cheap, uncomplicated way of resolving disputes.

3. *Protecting consumer health and safety*

For many years product safety has been an essential feature of Sweden's consumer policy. Dubious products are detected by consumers, by local consumer advisers, or by random market controls.

Many dangerous products have been removed from the market after the intervention of the Ombudsman. However, free movement of goods within the Single Market has increased not only the number of products on

the market, but also the risk of unsafe products - some even bearing the 'CE' mark.

To prevent rather than cure, Konsumentverket has issued about thirty guidelines, referring to national and international standards, on the safety of different products.

Standardization has also been placed at the forefront of this prevention policy. For many years Konsumentverket has been active within international standardization organizations and their different committees and working groups, especially in the area of toys, childcare products and personal safety equipment. This is of even greater importance today, with the EU safety standards directly affecting product safety in Sweden.

4. *Promoting sustainable consumption*

In recent years there has been more and more emphasis placed on the environmental effects of consumption. The public sector, the business sector and consumer organizations have all been looking into what individuals can do to protect the environment.

In January 1996 the Nordic Consumer Affairs Ministers adopted a common declaration concerning environmental aspects in the Nordic consumer policy, in which they stressed consumers' responsibility towards the environment, as well as making it compulsory for Consumer Agencies to help consumers make environmentally-informed choices by promoting eco-labelling, and informing and educating consumers about 'green consumption'. In line with this, suppliers of goods such as new cars and household appliances are obliged by law to disclose in their marketing how much energy their products use.



The Nordic countries have established a common eco-labelling scheme, the 'Nordic Swan', in order to encourage both consumers to buy more environmentally-friendly products, and manufacturers to produce them. In addition, environmental considerations play a significant role in Konsumentverket's product testing. For example, chemical products used in the home, such as detergents, are regularly tested for their efficiency *and* their impact on the environment, and household appliances are tested for energy consumption, something which matters not only for the environment but also for the family budget.

Increasing demand for environmentally-friendly products has led to an increasing use of 'green claims' in marketing which, unfortunately, are not always truthful. As a result, the Consumer Ombudsman has had to prohibit many a misleading statement. To prevent further violations of the law, the Nordic Consumer Ombudsmen have published a special guide on 'environmental claims in marketing'.

Concerning the supply of environmentally-friendly products, the Swedish parliament has passed regulations that make producers responsible for taking care of used products and packaging.

To inform and educate consumers, Konsumentverket publishes study materials for schools on consumption and the environment, as well as other kinds of materials aimed at showing how consumption patterns can be changed. At local level consumer advisers, in co-operation with schools and NGOs, also do their share in guiding consumers in environmental issues. Last but not least, the municipalities encourage the reduction and separation of waste.

Axel Edling

Director General of Konsumentverket
and Consumer Ombudsman

Public services: the Commission takes an official stand

Below we summarize the Communication from the **European Commission** titled *Services of general interest in Europe*¹, adopted on 11 September 1996.

Europeans believe that the availability of high-quality public services at affordable prices is crucial for social and economic cohesion. However the design, scope and organization of these services varies considerably from one Member State to another and from sector to sector. Moreover, technological change, the globalization of the economy and shifting user expectations make certain adaptations imperative. Hence the Commission considered there was reason to recall the principles underpinning its policy, to highlight the potential benefits and to describe how it sees the future.

1. The basis for the Commission's action

The Commission considers that Community action in the field of public services must be compatible with the model of an open, market-based economy, the ultimate goal being to improve the quality of supply while reducing prices so as to benefit users (firms and individual consumers) as much as possible. However, it believes that the liberation of market forces must be kept within limits so as not to harm the weakest population groups and to safeguard social and territorial cohesion. Hence it proposes that this action be guided by the following principles:

- respect the diversity of practices in the individual Member States and sectors, both by leaving it to each Member State to confer missions of

general interest on public service undertakings and to give them the means they need - provided these means are compatible with the Member States' European commitments, notably in respect of competition policy, and by adopting a perfectly neutral stance as to the public or private status of the companies responsible for providing general interest services;

- seek the greatest possible consensus between the European institutions and the Member States;
- promote the notion of the 'European general interest', taking into account the notion of 'universal service' at European level.

2. The Community contribution

The Commission defines the Community contribution in three words:



dynamism, flexibility, solidarity. It considers that the initiatives it has taken in the field of telecommunications, postal services, transport and energy embody these three qualities.

In the field of *telecommunications*, the sole objective is to make life better for consumers by seeing to it that they are provided with a wider range of higher-quality services at more competitive prices. Acting on a proposal from the Commission, the Council has passed legislation authorizing European consumers to choose whichever appliance (telephones, faxes, modems, etc.) they wish, as well as to choose their mobile phone or satellite service operators, and which will entitle them in the near future² to choose their own telephone company. On the other hand, at the Commission's request, the Member States have agreed to oblige the telephone companies to provide a large spectrum of basic services on a universal basis.

In the field of *postal services*, the measures proposed by the Commission - which envisage the progressive opening up of the markets to competition by 2000 - while guaranteeing the long-term supply of the universal service, are currently being discussed at the European Parliament and Council. The outstanding questions concern the scope of the 'reserved sector'³ and that of the possible financial contribution of the commercial operators to equalization funds to part-finance the universal service.

In the *transport* field a distinction is made between civil aviation, maritime transport and inland transport:

- civil aviation: the new European

rules have opened up the market to competition while allowing Member States to impose public service obligations (for example by allocating certain routes to an exclusive carrier⁴ or by subsidizing such routes);

- maritime transport: under the new European rules shipowners are granted the right of cabotage⁵, while Member States may mandate them to provide scheduled services to and between the islands as a *quid pro quo*;
- inland transport (rail, road, inland waterways): no Community decision has ever been taken to compromise their role - recognized from the time the Treaty of Rome was signed - in supporting sustainable development, social cohesion and regional balance. The recent Commission proposals - which mainly concern liberalization of international freight and passenger transport - are fully congruent with this approach, giving due account to public service requirements.

In the *electricity* field the Commission has presented a proposal for a directive with a view to progressively opening up the national markets to new entrants. But here too it is foreseen that Member States will retain the right, under certain conditions of transparency, objectivity and equal treatment, to mandate the companies concerned to fulfil certain public service obligations.

The Community is also helping to maintain and develop public services by defining standards designed to ensure the interoperability of networks; by developing European master plans for major trans-European

transport, energy and telecommunications infrastructure networks; by supporting projects aimed at promoting public services in the disadvantaged regions; by reinforcing its research and development work in priority general interest services (transport, telecommunications, energy, but also audiovisual media, information technology, education and training, health, etc.); and by encouraging the pooling of experience between legislators, regulators and operators (both public and private).

3. Objectives for the future

The Commission intends to promote public services at European level on three fronts:

- improve European competitiveness
 - the Commission considers that the liberalized public services will provide better quality at lower prices;
- strengthen European solidarity and coordination - certain sectors having an obvious transnational dimension, it is a good thing to improve European-level cooperation between their operators and regulators. Moreover in certain cases more ambitious forms of cooperation might be established, such as a joint air traffic control system;
- deploy Community instruments
 - since public services have the same objectives as several common policies (regional, social, economic, environmental policy, consumer policy, etc.), the Commission intends to promote synergies between these policies.

Moreover the Commission is advocating that, in the context of the Intergovernmental Conference, the



Treaty on European Union be amended to include a formal reference to services of general interest as falling within the Community remit, even if they continue to be primarily an area for action by the Member States. Such an amendment would establish that general interest services are something which the Community should systematically take into account

when drawing up its policies and planning its activities.

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¹ COM(96) 443 final.

² i.e. by 1 January 1998 at the latest.

³ i.e. the part of the traffic which will be reserved for those operators who will have to provide the universal service.

⁴ On the basis of a European call for tender...

⁵ Supply of a maritime transport service between two points within a Member State by a company registered in another Member State.

Everything you always wanted to know about the action plan

In order to make the Commission's **action plan** on 'Access to justice and the settlement of consumer disputes in the internal market'¹ understandable by the general public, DG XXIV has produced an informal document consisting of 'answers to the most frequently asked questions about the 'European Form' proposed in the action plan'.

What is a 'consumer dispute'?

Any dispute involving an individual, acting in a private capacity (i.e. the consumer), and a natural or legal person acting in the course of his/her business (i.e. the supplier).

What is an 'intra-Community dispute'?

Any dispute involving parties in (at least) two different countries, which are Members of the European Union. The cost, duration and complexity of such disputes are the subject of an 'action plan' adopted by the Commission on 14 February 1996. According to independent sources², the average cost of the in-court settlement of an intra-Community dispute involving more than 2 000 ecu is approximately 2 500 ecu for each party

(excluding experts' fees and VAT), and the duration of the case ranges from 12 to 72 months, depending on the countries concerned.

Why propose a 'European Form'?

The settlement of intra-Community disputes is too often hampered by specific barriers such as distance, language and poor knowledge of the out-of-court facilities which may exist abroad. A standardized 'European Form', available in all Community languages, could reduce the language barrier and give an opportunity to make 'foreign' consumers aware of the existing out-of-court facilities. When transmitted via the information highway, it could also reduce the cost and duration of communication between the parties.

For Commissioner Bonino, the objective of this initiative is to help settle disputes amicably, by making dialogue between the parties both easier and cheaper³.

When will it be tested?

According to the timetable annexed to

the action plan, the trial period will start in June 1997 and last for three years. The form will be tested on a voluntary basis, which means that neither consumers nor suppliers will be obliged to use it.

Where does the idea come from?

The idea of introducing a European Form for 'consumption accidents' comes from the practical experience of the form for car accidents which was introduced on a voluntary basis by insurance companies. The 'car accident declaration form', which exists in most European languages, reduces the cost and duration of potential disputes for everybody: consumers, business, and the judicial system of Member States. Insurance companies estimate that in those countries where the form is commonly used by consumers⁴, 80 to 90% of cases are settled amicably.

How will it work?

1. The consumer making a claim fills in the form in his/her own language⁵ and sends it to the supplier. If the latter does not speak the same language, the claim is translated by the 'contact



point' closest to him. One or more contact points are to be appointed in each Member State, so as to make up a European network for 'consumer accidents' similar to the one which runs the 'Green Card' system for car accidents.

2. On the back of the form, the supplier can choose between three options:

- i) accepting the claim; in this case he will have to agree to 'do something' at a certain time;
- ii) rejecting (or ignoring) the claim; in this case the consumer will be free to take further action, in compliance with the applicable rules of procedure;
- iii) proposing a solution based on:
 - (a) the merits of the claim (the solution may be to give the consu-

mer a refund, or to repair or replace the product);

- (b) an out-of-court settlement (e.g. via consumer arbitration, complaint boards, conciliators or mediation centres), which may, if the consumer agrees, deal with the dispute.

3. The supplier's reply is sent back to the consumer after having been translated by the 'contact point' into his/her language (if necessary). If the reply is based on iii), the consumer will have to answer 'yes' or 'no'.

If need be, the parties will be given assistance by the contact points in completing the form or in finding out which is the appropriate out-of-court procedure⁶. In this framework, a Directory of 'dispute settlement bodies' in each country may be established in

order to make them more accessible to the 'foreign' parties.

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¹ COM(96) 13 final of 14. 2. 1996.

² ZERP, Bremen University, November 1995.

³ Press release of 14 February 1996, IP/96/142.

⁴ In several countries, simplified forms were also introduced as a way to improve access to the courts ('small claims' schemes in the UK and Ireland), and/or to specialized bodies ('consumer complaint boards' in Sweden and Denmark).

⁵ Provided that it is a Community language.

⁶ The action plan defines a number of standards for out-of-court procedures ('working outline for a recommendation', action plan, annex II).

A Danish Chairwoman for the OECD Consumer Policy Committee

Jytte Ølgaard, head of the Product Safety Unit at the Forbrugerstyrelsen (the Danish Consumer Agency), was appointed Chairwoman of the **OECD** Consumer Policy Committee in October.

This committee, which addresses consumer protection issues in the organization's 27 member countries, is currently focusing its attention on world electronic trade. In early 1997 the OECD will be hosting a conference on this theme in Paris, which representatives of the business community,

consumers and the competent monitoring and regulatory authorities will be invited to attend.

The Committee has two standing working parties. One deals with the global market and the other with product safety.

Jytte Ølgaard was formerly Vice-Chairwoman of the OECD Tourism Committee, and before being appointed Chairwoman she was also Vice-Chairwoman of the Consumer Policy Committee.

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The European Commission and consumer education

On 31 October, at the Spanish Ministry of Health and Consumer Affairs in Madrid, **Spyros Pappas**, Director-General of DG XXIV, accompanied by DG XXIV officials responsible for consumer education, met the Deputy Minister for Education and Training, the Deputy Minister for Health and Consumer Affairs, the Director-General of the Instituto Nacional del Consumo, the Directors-General of Consumer Affairs in the Autonomous Communities, and representatives of the main consumer organizations. On this occasion, he presented the European Commission's viewpoint on consumer education and made a number of suggestions as to what the Spanish authorities might do in the future. A summary of his presentation is given below.

The European Union has 380 million inhabitants, and therefore consumers, who are sometimes subjected to very aggressive marketing techniques. Hence consumer education, because it stimulates their critical faculties, is their best form of protection. In this context, it is the indispensable complement to legislative measures.

Consumer education is characterized by:

- its novelty, since it is not part of the traditional curriculum - something which also applies to environmental education, health education, safety education, etc., in other words all of what might be termed 'education for daily life';
- its interdisciplinary nature, because it is not a distinct subject as such, but touches on several other

subjects such as economics, the social sciences, etc.;

- its duration, because consumers must remain critical and selective throughout their life. But the complexity of new communication technologies and new marketing techniques means that consumers must continually brush up their 'knowledge';
- the plethora of target groups, to each of which the persons and bodies responsible for consumer education must be able to adapt their messages (children and young people within or outside the school environment, students, adults, adults with difficulties or disadvantaged adults, consumer circles, etc.);
- the heterogeneity of its status and practice within the European Union, since it is quite well established in the curriculum of some Member States, such as the Scandinavian countries, the United Kingdom or the Netherlands, where it is included in other subjects and where, moreover, consumer education has developed in embryonic form under the label 'home economics' (or some such similar name), but the same does not apply to education in most of the Member States, where consumer education is totally absent.

What can the European Commission contribute?

Certainly, educating consumers is primarily the responsibility of the Member States, but the Commission, as encouraged by the European Treaties and several Council Resolutions, can assist them in this task by helping them

to coordinate their action and itself taking a number of initiatives.

Hence DG XXIV:

- has designed and distributed free of charge on simple request the 'safety pack', a kit of teaching resources available in all the Community languages and designed to familiarize the reader with the causes of home accidents;
- subsidizes projects with a multiplier effect designed to train instructors and to produce teaching material;
- supports the organization of the European Young Consumer Competition, each edition of which enables tens of thousands of young people to become acquainted with various consumer problems.

Hence in the future, it proposes:

- to draft a detailed report on the situation of consumer education in the Member States, which will provide a genuine picture of the situation;
- to define, in agreement with the Member States, a minimum common corpus of subjects and objectives in the field of consumer education;
- to support the Member States in developing initial and continuing training programmes for teachers, as well as school and out-of-school activities in the field of consumer education. One example is the 'Greek pilot project', born in June 1996 thanks to the joint efforts of the Greek Ministries of Education and Trade and DG XXIV, and whose purpose is to introduce consumer education as a separate subject in the Greek school curriculum;



- to help educate students in consumer affairs by encouraging the introduction of consumer studies in traditional university subjects (marketing, law, economics, etc.), and by establishing a grant system for those who have written theses or produced other quality work on consumer issues;
- to organize out-of-school information measures targeted at young people on consumer issues that interest them, for example in the form of 'guides' drafted in a style and form that is familiar to them (DG XXIV has already co-funded an initial guide in English and a second one in French; a third guide, in Spanish, will be produced in 1997 and other versions will follow), or thematic dossiers available on modern media, such as CD-ROMs;
- to create European-level working parties responsible for developing a European code of good practice applicable to the new forms of marketing and communication targeted at young people;
- to 'decompartmentalize' consumer education by seeing that it is integrated into the general programmes, or certain specific programmes, of the Commission;
- to train adult consumers, populations in difficulties and members of consumer organizations by including consumer education in continuing training programmes, social and vocational rehabilitation programmes, and distance-learning programmes;
- to ensure better coordination of educational measures by subsidizing complementary and consistent programmes involving several Member States and by improving the flow of information between Member States, thanks to the creation of a database available on the Internet and relating to their educational structures, training measures and teaching resources, and to the development of trans-European networks for exchanging experience between consumer education experts in the different Member States, eastern Europe and the Mediterranean Basin;
- to pool with the other Member States the experiences of those which have made consumer policy a top priority, hence enabling the

creation of joint projects and reducing the costs of ongoing projects. To this end, the Commission must be familiar with all the initiatives taken in the field of consumer education;

- to help, while abiding by the principle of subsidiarity, the Member States that have a federal or federal-type structure, such as Spain, to coordinate the activities of their different administrations inter se and with Community activities.

I will end on this point by saying that, according to all I have seen and heard during this meeting, the various Spanish authorities are taking excellent initiatives in the field of consumer education, the training of instructors and the production of teaching material. I therefore call on them, particularly with an eye to the possible duplication of these initiatives at European level, to work together to both create a common model for training instructors and produce teaching material they can all use.'

¹ Or, until the end of 1994, its predecessor, the Consumer Policy Service (CPS).



Consumers and the liberalization of public services

On 4 and 5 October a forum was held in Rome on the subject 'Public services, liberalization and consumers', hosted by the European Commission and the Autorità Garante della Concorrenza e del Mercato¹. Participants included Romano Prodi, President of the Italian Council, Giuliano Amato, head of the Italian anti-trust authority, Karel Van Miert, European Competition Commissioner, and **Emma Bonino**.

Below we provide a summary of the keynote address entitled 'What has to be done to safeguard consumers' interests', given by Emma Bonino at the opening of the session devoted to the role of consumer policy in improving the efficiency of public services.

'In the dialogue which the Forum aspires to trigger between the institutions, the economic operators and consumers, we have tried to answer certain simple questions: is the dismantling of certain monopolies good for users? What risks does the opening up of markets entail for citizens qua consumers? What can be done to make the market work and to make sure that consumers are protected?

It is only by convincing consumers of the concrete benefits they stand to gain from the opening up of the markets (as regards choice, quality and prices) and by guaranteeing them universal access to public services that one can hope to win their allegiance to the liberalization process - a process which is not unopposed.

This is why the European Commission ardently defends the notion of 'universal high-quality service at affordable prices' and the idea that 'public service means above all service to the public'².

Nothing could be more mistaken than to conceive of a public service as something that stands opposed to the market and to competition. On the contrary, in certain cases it is precisely the opening up of the market that frees the citizen from the shackles of a monopoly brooking no alternatives and paves the way to new services, hence exercising a social function. A good example is air transport. For years this sector was dominated by the national airlines, which were free to dictate whatever prices they wanted without fear of competition. Since the Member States have begun to open up their markets - full liberalization being scheduled for April 1997, from which date Community airlines will have the right to transport passengers and goods on domestic routes - certain fares have fallen by over 50%, the number of passengers increased by over 10 million for 1995 alone, and new routes and airlines have sprung up. And all this has been done in compliance with the general rules governing competition, hence ensuring an orderly opening up of the markets with a high level of protection for users.

To safeguard the general interest, it may be necessary for the Member States to correct certain market mechanisms and to implement flanking policies. Moreover, if a

Member State decides to withdraw from direct management of certain services, it must still regulate and monitor the market, create infrastructures, and implement solid policies in the field of consumer protection, the environment and research.

If the European Union is to have a genuinely open internal market, with similar conditions of competition and infrastructures adapted to the geographical dimensions of the Single Market, some of these rules may have to be implemented and certain policies may have to be realized at Community level.

I think that the consumer policy in the domain of public services should comprise three strands: improve the price/quality ratio of these services, define their scope, and simplify the legislative and regulatory framework that governs them.

1. Improve the price/quality ratio of public services

Recently, consumer representatives contacted our services about the price of water in the United Kingdom. They report that thousands of consumers have complained that their water bills have shot up by over 55% since the sector was liberalized in 1990. While it is true that some of the increases were justified by the need to modernize installations which were obsolete at the time of privatization, and by the constraints imposed by the Community directive on public health, the following question remains unanswered: how can we achieve a balance between



minimum quality and price? In other words, how can we ensure that the price of the service remains affordable for consumers, notably the least well-off, when costly, qualitative leaps are necessary? And how is this 'affordable price' to be defined? Possible solutions include the adjustment of charges or the creation of equalization funds enabling operators to bankroll their universal service obligations through receipts from profitable services. But the problem is far from being resolved... if only because nobody yet knows how to define precisely what the general interest is and hence what should feature among the operators' universal service obligations.

2. Define the scope of the public services

The tasks assigned to public services are not fixed for all time. These services regularly have to respond to new needs, which must be defined by democratic consensus. In my view the role of the national and European authorities is to trigger a debate on these needs, and then to promote the search for consensus.

By way of example let us consider the completion of the internal market and the creation of the single currency. Technological developments have profoundly modified the notion of money and monetary instruments. In the old days coins and later banknotes had a universal payment function, their use was regulated by a public monetary order and was premised on free access to payment devices. For the

average citizen, these instruments did the job, since transactions normally took place locally. Today, markets are open and distance selling gives consumers access to almost all goods or services available abroad. Moreover, the objective of the Single Market is precisely to encourage trade of this kind, while the rationale behind the single currency is to standardize the unit of accounting and payment at European level. Payment devices have adapted to these trends - now we have debit cards, credit cards, cybercash, and soon rechargeable electronic purses. But at the same time this type of money is no longer freely and universally available - access to these new payment devices means you have to have a bank account, the systems are rarely compatible, etc., while transparency is not necessarily uppermost in the issuers' minds.

In these circumstances, what about the idea of considering payment systems as services of general interest?

3. Reduce the complexity of the legal and regulatory framework governing public services

At the Council's request, the Commission has launched a drive to make Community law more transparent, to repeal obsolete texts, and to consolidate legislation with an eye to simplifying it. But should this process be limited to the corpus of existing law? Should we not put on our thinking-caps and try to anticipate complexity? Why not try to simplify the instruments now in the pipeline and

ensure that their interactions do not render the law even more recondite and fragmented?

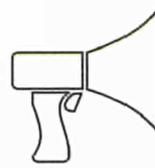
This is why I think that the working of the public services should be guided by a simple principle - that of transparency, a principle which should inform both the organization of these services, the drafting of the standards under which they operate and the work of the agencies responsible for monitoring them. What better way to protect users/consumers than to enable them to understand how public services work, to define for themselves what kind of quality they want and, ultimately, to empower them to monitor the work of the supervisory agencies?

To conclude, may I say that as you can see I am all in favour of liberalizing public services of a market nature, and I am sure that all consumers stand to gain. However, I would add that, like the other Commissioners, I am convinced that this process must be accompanied by the creation of independent regulatory and supervisory bodies which will guarantee that the liberalized services function in the interests of consumers qua citizens.

It is also in this domain that a citizens' Europe is under construction.'

¹ The Italian anti-trust authority.

² See the article entitled 'Public services: the Commission takes an official stand' in the 'Institutions' section.



Liberalization of postal services: the position of the European Express Organization

In our April 1996 issue, we published an article echoing an Euro C (European Trade Union Confederation's Consumer Unit) position statement on the liberalization of postal services in the EU¹.

The **European Express Organization** (EEO), which represents private operators in the express document and parcel industry, would like to contribute to the debate by reacting to Euro C's statement. Here are the essentials of the EEO's reaction and own position.

The postal debate is not at all about 'deregulation', but rather about fair competition in a gradually, and only partially liberalized market.

Euro C gave an example intended to show that private operators' '... prices are up to 80 times higher than those of public operators'. The example compares a standard letter sent via the Belgian post office and an express document sent via UPS - a comparison which is a classic 'apples and oranges' exercise. An express document is different and more expensive than a standard letter (over which the Belgian post has a monopoly anyway) because it is a completely different product. An express document is: 1) picked up from the sender's location; 2) tracked and traced from pick-up to delivery; 3) automatically insured for up to ECU 80; 4) guaranteed (or else money-back) to arrive the next day before 10.30 a.m.; and 5) hand-delivered to the recipient. None of these features are applicable for the standard 20 g letter sent from Belgium to an EU address.

At present, some post offices use profits derived from their postal monopolies to subsidize unprofitable services, often parcel post. This means that ordinary consumers, through their stamp purchases, are effectively subsidizing unprofitable services. The best benefit to the man and woman in the street would be for profits from postal monopolies to go towards reducing the price of stamps. Instead, these profits are being used to prop up postal authorities' non-core businesses which, if subject to market forces, would collapse. It is important to understand that the postal debate is NOT about the privatization of post offices, nor about the destruction of the universal service. The debate is about fair competition and having the same rules for the same game - both of which will benefit consumers.

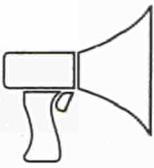
Sending a letter from Augsburg, Germany to Brussels takes just as long today as it did 500 years ago (German MEP Markus Ferber). This is a prime example of how the consumer is neglected by monopoly holders. The intention of the Single Market should be to make a high-quality cross-border service available to everyone. Additional competition in the postal sector will lead to better service for consumers, particularly with respect to cross-border mail. Efficient, fairly priced cross-border communications will not only bring coherence to the Single Market; it will bring Europeans at all levels, and in all walks of life, closer together.

Fair competition will offer choice to customers, which has been shown to

be an important concern. Even in those countries where consumers are more or less happy with their postal service, they attach significant importance to the availability of choice (UK Consumers' Association study). The telecommunications sector adequately shows that where there is competition, prices fall.

Fair competition will also oblige postal authorities to invest in their product, and improve their services in general, simply because customers will be able to go elsewhere if the quality, price, or speed of services offered are inadequate. A monopoly or price-fixing cartel with no access for alternative providers for the cross-border market will not serve the individual consumer.

Competition in the postal sector is not, and will not be, the cause of job loss. European consumers and taxpayers are no longer willing to tolerate loss-making state enterprises that have not adequately invested in technology. The greatest threat to employment in the public postal sector does not come from the proposed increase in competition in less than 20% (direct mail and cross-border mail) of the growing market for mail, but rather from new technologies such as the telefax and electronic mail. Public post offices' market share of any sort of mail will not be lost overnight. In addition, the overall postal market is growing, even for public post offices. Therefore, provided post offices invest well in technology and their people, employment may even rise. Besides, fair competition in the one-fifth of the market that is being considered for



liberalization (and not privatization) will lead to increased direct and indirect employment by private operators who are operating in a market that is growing by some 15% per year.

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¹ 'Euro C's position: complete deregulation of postal services is not in the interest of consumers' in the 'Euro-Infos' section.

Emma Bonino's views on the euro

On 25 October 1996, **Emma Bonino** addressed the General Council of the Fédération hypothécaire européenne on the topic 'consumers and the euro'. A summary of her speech is given below.

'The euro is just 800 days away. The Commission, the Council, the Parliament and the European Monetary Institute are already working on the legal, technical and practical aspects of this transition.

However, since coins and notes denominated in national currency will continue to circulate during a transitional phase lasting until 1 January 2002 at the latest, there is a tendency to think that this transition concerns only the professional sectors - banks and financial institutions, firms, distributors and the authorities.

While I can understand that, given the complexity of the technical problems to be resolved, the focus has been on these sectors, as Commissioner responsible for consumer policy I consider that the transition to economic and monetary union from 1999 onwards concerns all citizens, irrespective of their activity, social status or profession.

This is what will happen during the transitional phase:

- all assets or liabilities currently denominated in ecus will be converted into euros at the rate of one for one;
- monetary policy will be conducted in euros by the European Central Bank. The money market, the foreign exchange market, a large part of the financial market, and the European wholesale payment system (TARGET) will operate in euros and, although the national currencies will continue to exist, they will only be non-decimal subdivisions of the euro;
- in the case of coins and notes, both the national currency and the euro will be in circulation.

From this it follows that:

- the transition to the euro will obviously be accelerated by economic operators, notably by firms that do business internationally;
- the transition to the euro will be accelerated by consumers themselves. For, while many citizens have scruples about abandoning their national currency, the fact remains that a large majority are in favour of European monetary

construction. So why would they wait until 2002 to use the euro if they can do so as from 1999?

In the light of all these considerations, citizen-consumers cannot but be concerned as of now with the transition to the euro. Their concerns must therefore be taken into consideration in all the legal and practical provisions currently in the pipeline and, in parallel, a major training and information campaign must be launched, so that they can air their views properly.

These are the conclusions underlying the policy we intend to implement as of now and which I would like to outline.

However, I would first like to highlight three important points:

- measures to train and inform citizens have already begun. One recent example is the European Commission's involvement in the Centres Leclerc pilot project in France¹. The Commission now wishes to encourage the spread of such measures;
- the Commission must be mindful of the principle of subsidiarity. Informing and training citizens is mainly a matter for the Member States, and so



the Commission's role is to be a partner for the Member States;

- the Commission has limited resources at its disposal. Thus, if we take all the Commission departments involved in the transition to the euro, the 1996 budget for information and training measures amounts to 19 million ecus, i.e. 5 centimes of an ecu for each citizen of the Union! What the Commission must do is to prepare the ground, taking into account, in the texts on the euro that it will submit to the Council, the general interest and, in the specific context of my responsibilities, the interests of consumers.

That being said, here are the three major strands of our 'euro' policy for consumers:

1. Encourage the training and information of consumer representatives

In the coming months we hope to be able to organize a series of euro training seminars for representatives of consumer organizations, which are essential links with the final user, with a view to making them aware of the problems the euro's introduction is likely to pose for both consumers and economic operators.

2. Taking into account the interests of consumers in Community legislation

For almost two years now an interdepartmental working party at the

Commission has been examining all provisions of Community law to ensure their compatibility with the transition to the euro.

Moreover, while the Commission's Green Paper on the transition to the single currency, presented to the Council in June 1995, was being prepared, representatives of consumer organizations and associations of the disabled (notably the blind and poorly-sighted) were consulted on the future technical characteristics of the euro coins and notes.

But there are still problems galore. For example, the problem of dual labelling in national currency/euro, then euro/national currency; the simultaneous circulation of national currencies and euros when the euro coins and notes are introduced, or again the rounding up of certain prices.

DG XXIV is counting on the help of the 'euro' working party of the Consumer Committee (CC) to identify all the potential problems and propose solutions. The result of this work, which naturally will be carried out on the basis of close cooperation with the Commission's other departments and systematic consultations of the professional sectors concerned, may lead the Commission to propose supplementary legal provisions.

3. Prepare citizen-consumers

The basic principle of the transition to

the euro is that it will in no way interfere with economic and social life. Wages, pensions, savings, taxes, contracts, etc. will in no way be affected. So much is obvious. But the point is that, firstly, citizen-consumers must be convinced; secondly, they must be in a position to check the truth for themselves; and, thirdly, they must not be traumatized by the loss of their traditional metrics of price and value. I am thinking particularly of the elderly and, more generally, of all those who do not have immediate access to information. The resources at the Commission's disposal are limited, but they are enough to support initiatives proposed by national, regional and local authorities or sector-specific associations with an eye to helping these fragile groups to make the transition to the euro without tears.

As for myself, I will continue to hammer home the message - as I have just done here - that the transition to the euro, a key element in European construction, is not a matter for a handful of technocrats but is something that concerns all citizens.'

¹ Between 14 and 26 October, 200 products in the 500 Leclerc supermarkets were labelled in French francs and euros, and customers were free to pay for their purchases in the two currencies, thanks to 'euros E. Leclerc' specially minted by the Monnaie de Paris.



Consumers and the single currency

On 18 October, Jim Murray, Director of **BEUC**, presented the point of view of his organization on the transition to the single currency to the European Parliament's subcommittee on Monetary Affairs. Here is a summary of BEUC's position.

The actual transition to the single currency is likely to be traumatic for most consumers, as they will:

- find it difficult to assess the price of competing goods and services;
- find it difficult to recognize, and therefore resist, price increases;
- find it even more difficult to recognize, and therefore resist, *hidden* price increases;
- find it difficult to measure the value of their earnings, expenses, disposable income and potential savings;
- worry about the continuity of their contracts (mortgages, loans, insurance policies, etc.).

Therefore, BEUC recommends that the following measures be taken at EU level:

- ensuring coherence between price indications within and between Member States;
- having prices displayed both in the national currency and the single currency, with a view to both deterring hidden price increases and educating consumers to the new currency;
- organizing information and education programmes, and programmes to build support for the single currency;
- ensuring the full continuity of contracts. BEUC, of course, accepts the principle that contracts may be amended by express agreement between the parties, but rejects the possibility that financial service companies could use this principle to insert in their standard contracts signed before the transition to the

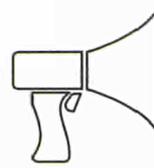
single currency clauses retaining to themselves the unilateral right to vary or cancel these contracts upon the transition¹.

BEUC warns that if steps are not taken to make the transition to the single currency as consumer-friendly as possible, the risk is great that the public will 'scapegoat' it for all things which are not to its liking at the time, whether or not they are in fact a consequence of the transition.

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¹ This issue is currently the object of intense debate in the highest EU spheres.



The Consumer Committee on BSE and financial services

At its 23 September session, the **Consumer Committee** (CC) presented its views on BSE and on the Commission's Green Paper on financial services. Here are the main points it made.

Concerning **BSE**, the CC:

- welcomes the Commission's efforts to improve consumer information about the background and the current situation regarding the BSE issue;
- stresses the importance of the enforcement of all the rules and controls on slaughterhouses and farms to ensure the safety of beef. In particular, it would like national control systems of procedures in slaughterhouses and meat processing industries to be subject to monitoring at EU level, with publication of the results of the monitoring exercises;
- demands that all animal waste of mammalian origin in the Community be processed by a method that has been demonstrated as being de facto effective for the inactivation of the agents of scrapies, as laid down in Commission Decision 96/449/EC of 18 July 1996 which shall apply from 1 April 1997. It urges the Commission to provide guarantees regarding compliance with this decision from that date;
- demands that no ruminant be fed with feed containing animal protein;
- demands that EU legislation be passed to oblige feed manufacturers to declare all the ingredients of animal feeds;
- demands the introduction of systems assuring that meat is traceable 'from the table back to the slaughterhouse';
- demands that top priority be given to research on the underlying causes of BSE and the possibility of transmission to other animals and to humans and, above all, to the development of a test for BSE which can be carried out on live animals;
- demands the implementation of a system of labelling which makes clear what type of meat is present in foods, allows for the indication of the country of origin of beef and beef products, and requires manufacturers to declare the use of any Mechanically Reconstituted Meat (MRM), even below 25% of the product;
- demands that the 1985 EU Product Liability Directive be amended to cover primary agricultural produce;
- demands that consumers be given correct, complete and transparent information to enable them to make an informed choice. One possibility could be the creation at EU level of an information office responsible for circulating data forwarded by the national sanitary authorities;
- asks the Commission to promote consumer representation on all scientific and consultative committees at EU level;
- calls for an urgent review of food policy (and particularly of food production and distribution) in order for the expectations and preferences of consumers to be met more closely.

As regards **financial services**, the CC has analyzed the situation of consumers in this area, critically scrutinized the Green Paper, put forward concrete proposals and drawn a number of conclusions.

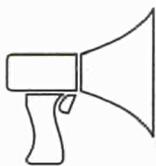
The CC concludes that the combination of new technologies and the Single Market has led to a proliferation of financial transactions within individual countries and between the Member States of the Union. In parallel the CC is struck by the huge percentage of cross-border disputes relating to such transactions: 22% of all disputes and 47% in terms of value¹, according to the statistics supplied by the cross-border consumer information centres! The CC believes that this is due to the inadequacy of consumer protection in this area.

Hence the CC considers that consumers need mechanisms to defend themselves against financial institutions. Does the Commission's Green Paper deliver the goods?

The CC considers that when all is said and done the Green Paper does not meet consumers' expectations - and this for the reasons explained below.

The philosophy informing the Green Paper is basically 'liberal' and not consumerist, the underlying message being that all ills can be cured if only the consumer is provided with *information*.

In no way does the Green Paper review the relations between financial



institutions and their clients. The solutions it proposes are too vague and it is all too responsive to the interests of the financial lobbies. Moreover it treats financial services as though they were 'products' just like any other, although this is obviously not the case, given their social and economic importance.

However, the financial institutions themselves know full well that financial services are not just any old product - and indeed use this as a pretext to circumvent Community legislation². Against this consumer organizations argue that the special nature of financial services means not only that they should come within the scope of traditional legislation, but indeed that they should be subject to particular and more stringent laws.

Here are the CC's proposals in this regard.

A. HORIZONTAL MEASURES

a) Consumer information

The CC calls for a directive imposing information requirements on all providers of financial services, to ensure that consumers are clearly informed about charges (notably account handling charges, charges for issuing and using cards, charges in connection with cross-border transactions), the parties' rights and duties, dispute settlement procedures, the acceptance of different payment devices (notably abroad), etc.

b) Right of access

Currently consumers are not genuinely free to purchase financial services wherever they like in the European Union, since in practice the national

markets remain compartmentalized. Yet again, some consumers do not or no longer have access to the basic day to day banking services they need. To remedy these two problems the CC urges that measures be at long last adopted to establish a genuine Single Market in financial services and that people be invested with a statutory right to a bank account allowing them to carry out essential operations (deposits, withdrawals, payments).

c) Contractual harmonization

Absence of contractual harmonization is one of the main barriers to a fully-fledged Single Market in financial services. If financial service providers and consumers are to be fully informed about their rights and duties, we must define, area by area, the common rules for exercising the activity.

d) Financial service intermediaries

The plethora of complaints concerning intermediaries should lead to stringent supervision of their activity by the competent authorities in the Member States; to harmonization of the conditions for exercising the profession; to mandating them to provide more information to consumers; to clarifying the conditions under which they can exercise this activity; and finally to providing a clear definition of their civil and criminal liability and that of the establishments that draw on their services. Naturally all these measures should be applied even more rigorously in the case of intermediaries who sell cross-border financial services.

B. VERTICAL MEASURES

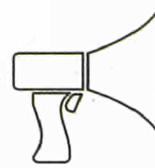
a) Consumer debt

Most Member States have specific regulations on overindebtedness; in

others, draft laws are in the pipeline. This shows that the problem has assumed a European dimension. Hence the CC believes that solutions must be sought both at national and Community level, with a focus on three areas: prevention through information and education, notably directed at young consumers; handling by counselling services that inform and advise persons in debt, negotiate with their creditors, and keep tabs on debt rescheduling plans; and statutory measures. The CC urges the Commission to alert national legislators to the urgency of the problem and to suggest a harmonized Community approach in regard to prevention and treatment.

b) Cross-border mortgage loans

There are several problems in the field of cross-border mortgages. Firstly, the applicable law depends on the conditions under which the contract was concluded, and so it is very difficult for the borrower to know which law protects him - that of his own country or that of the lender's country. On the other hand, the product may be legal in the lender's country but fall foul of certain provisions of domestic law designed to protect consumers in the borrower's country. The CC's conclusion: it is vital to harmonize at European level the rules governing mortgages. Moreover, as regard selling techniques, the CC calls for harmonization of the legislation applicable to these techniques throughout the territory of the EU, above all in the specific case of distance selling. In this respect, the CC deplors the exclusion of financial services from the scope of the Distance Selling Directive and hopes that Community legislation will rapidly be introduced to bridge this gap (see below).



c) Cross-border insurance policies

In the case of accidents, difficulties in attributing liability and in assessing damage and compensation are commonplace with the result that policy-holders are often obliged to go to court.

The solutions proposed by the CC: create conditions for improving the rules governing 'consumption accidents', for example via a Europe-wide insurance convention and harmonization and simplification of the rules governing liability and assessment of damages.

As to the specific case of car insurance policies, free movement remains a fiction, despite the repeated urgings of consumers. Since policies have to comply with the law of the policyholder's country, to the extent that neither law nor the taxation of policies is harmonized, insurance companies systematically refuse to conclude cross-border contracts.

The solution advocated by the CC is to harmonize the law governing insurance policies and their taxation.

d) Financial services and distance selling

The CC points out that not one of the directives on financial services cover distance selling, since these texts focus on the creation of a Single Market for services and not on the contractual relationship between buyer and seller. Hence a cooling-off period is mandated only in the case of life assurance policies.

Since financial services have been excluded from the Distance Selling

Directive - despite the opposition of consumer organizations - the CC calls for the immediate study of a specific directive. This directive should take up the main proposals contained in the initial draft Directive on distance selling, while taking into account the specific nature of financial services; notably, it should provide for prior information, the written confirmation of proposals, time limits for performance, means of redress, reversal of the burden of proof, and restriction on the use of certain forms of solicitation (such as cold calling, cold Emailing and cold faxing).

For the CC, the adoption of such a directive is all the more urgent in that the rapid development of the information society portends an ever-growing utilization of distance selling of financial services.

In conclusion the CC considers that the Green Paper in its current shape does not meet consumers' expectations. Hence it refuses to give it its approval. Moreover, it wishes to emphasize that its comments and proposals above are anything but exhaustive - it could have addressed other points, such as the protection of young consumers, data protection, the settlement of disputes, plastic money, to mention but a few. But it hopes that the Commission itself will address these issues in a *White Paper on financial services* containing concrete proposals for action as well as a time limit for implementation. Moreover it urges the Commission, as it promised the European Parliament at the second reading of the Distance Selling Directive, to present a *proposal for a specific Directive on the distance*

selling of financial services as a matter of urgency. Finally, in future it wants to be more closely involved in the design and drafting of such instruments.

The CC has also created a study group on the consequences of the transition to the **euro** for consumers, as the Commission had proposed. The mandate of this group is to propose by March 1997 solutions to the concrete problems associated with transition to the euro, such as dual price marking, the continuity of contracts, protection of consumers in the event of fraud, consumer information before, during and after the transition, etc. The CC has also agreed that in order to provide the representatives of consumer organizations with the technical information they need, the Commission will organize a training programme for them on the euro. This training will, in a second stage, be relayed within and - why not? - outside their organizations by those who have received it.

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¹ 31% and 68% respectively if disputes concerning insurance are included.

² Cf. the exclusion of financial services from the scope of the Distance Selling Directive.



Children and advertising

At a joint press conference held on 30 September, **BEUC** and its Netherlands affiliate **Consumentenbond** expressed the misgivings of the main European consumer organizations about the proliferation of marketing techniques targeted at children.

These practices, which were surveyed by BEUC member organizations¹ in each of the 15 Member States of the European Union, include:

- children's clubs;
- premium-rate phone services;
- the sponsorship of TV programmes;
- the distribution in schools of 'teaching' material - splashed with the sponsors' logos and colours;
- the use of children's hero images to peddle T-shirts, shampoos, toothpaste and cereals;
- advertising dressed up as reporting - in other words the creation of pseudo-magazines, books, comic strips and cartoons whose only purpose is to spotlight personages that symbolize a given firm, brand or branded product;

not to mention *teleshopping* during children's programmes!

BEUC Director Jim Murray asks 'How can children grasp the commercial dimension of these practices when even adults themselves have difficulties?'. A sentiment that is confirmed by the findings of numerous studies conducted since the 70s, which show that up to the age of 6 to 8 children are unable to distinguish between advertising and the rest of televised programmes, and that they

are incapable of critically appreciating advertising before the age of 11 or 12.

Hence, since children are even less able than adults to protect themselves against certain forms of aggressive advertising, BEUC and Consumentenbond urge that:

- all marketing practices targeted at children should be regulated, if possible at European level²;
- each Member State should be authorized to introduce or maintain in force more stringent rules on its territory, and to apply them to marketing practices coming from other Member States;
- a European observatory should be created to monitor trends in marketing practices targeted at children;
- the European Commission should coordinate and support national campaigns to inform and educate children, parents and educators about these practices;
- the objective of information and education campaigns targeted at children should be to teach them to identify these practices, to understand their intentions and to foster a critical frame of mind;
- agencies *independent of commercial interests* should do research into evaluating the effects on children of the combination of these practices.

By way of a pilot project in the field of information and education, Consumentenbond is about to launch a campaign mainly involving the distribution to the parents and teachers of children aged 6 to 12 of a brochure titled *Kinderen en*

reclame - Leer ze kijken! (children and advertising - keep your eyes open!) which contains examples of hidden advertising, surveys Netherlands legislation on marketing practices directed at children, and shows readers how to present an official complaint against practices they considers questionable.

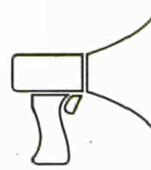
BEUC and Consumentenbond invite consumer organizations in the other Member States to conduct similar campaigns.

For further details on the results of the study conducted in the 15 Member States, the analysis and recommendations by BEUC and the Consumentenbond, and the pilot project to be carried out in the Netherlands, contact BEUC, Consumentenbond or any of the other national organizations that participated in the study.

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The World Federation of Advertisers (WFA), whose members comprise major national associations of advertisers and corporate advertisers throughout the world, reacted to the BEUC/Consumentenbond press conference by officially announcing, on 16 October, that it was willing to



discuss issues surrounding advertising to children with Europe's main consumer organizations, suggesting development of self-regulation as the main agenda item.

This announcement followed a meeting of WFA's European Committee in Amsterdam, at which members rejected two key planks of the BEUC/Consumentenbond report, but welcomed its endorsement of self-regulation.

The WFA rejected both the assumption that advertising harms children and the suggestion that its members engage in 'covert' forms of advertising.

On the first point, it criticized the BEUC/Consumentenbond report for drawing on only a limited number of research studies. It pointed to a wide range of scientific data suggesting that advertisements generally do not mislead children but benefit them by helping them to understand better the real life activities which surround them, as well as to research indicating

that children do understand advertisements, and that advertising is only one of the many factors influencing their purchasing decisions, with parents also playing a major role.

On the second point, it said its members did not engage in 'covert' forms of advertising and were committed to not misleading children. There was nothing undesirable or hidden about companies using a wide range of communication media to engage the interest of children and parents.

Be that as it may, WFA President, Malcolm Earnshaw, said the WFA welcomed the endorsement given by BEUC and Consumentenbond to the successful application of self-regulation in many countries and particularly to the relevance and guidance of the ICC (International Chamber of Commerce) code. The benefits and effectiveness of self-regulation, in conjunction with a legal framework, had always featured strongly in WFA activities, which

emphasized the responsible behaviour of its members and of the vast majority of advertisers.

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¹ **Consumentenbond** for the Netherlands, **VKI** for Austria, **CRIOC/OIVO** for Belgium, **Forbrugerrådet** for Denmark, **The Finnish Consumers' Association** for Finland, **UFC Que Choisir** for France, **Verbraucher-Zentrale NRW** for Germany, **EKPIZO** for Greece, **CAI** for Ireland, **CDC** for Italy, **ULC** for Luxembourg, **DECO** for Portugal, **OCU** for Spain, **Sveriges Konsumentrad** for Sweden and **CA** for the United Kingdom.

² Currently, only TV advertising is regulated at European level, in the so-called Directive on Television without frontiers, which sanctions TV advertising targeted at children under certain conditions. Different interpretations as to how this directive is to be applied have set Sweden, which outlaws TV advertising targeted at children, against the rest of the European Union. The European Court of Justice should shortly be handing down judgment - **INFO-C** will keep you abreast of developments.

Children world-wide receive diet of junk food ads

Every day children around the world are bombarded with food television advertisements - sometimes as many as 12 an hour - telling them bad food is good.

In a recently-published report titled *A Spoonful of Sugar - Television food advertising aimed at children: An international comparative survey*, **Consumers International** (CI) examines the potential impact of that advertising and what can be done to protect children from it.

'Most governments and the World Health Organization are emphasizing the importance of healthy, balanced diets, especially for children. But TV food advertising simply ruins the message' says Lucy Harris, of CI.

As this comparative study of food advertising in 13 countries¹ reveals, children have become a favourite target for advertisers, although great differences exist across national borders concerning how much advertising they may be exposed to.

Key findings show that:

- food advertisements form by far the largest proportion of all television advertisements aimed at children in 11 out of 13 of the countries surveyed;
- Australia has the highest level of television food advertising directed at children - with an average of 12 commercials an hour;
- within Europe, the UK has the highest amount of television advertising during children's pro-



grammes - with an average of 17 commercials an hour, 10 of which for food. By contrast, Sweden and Norway, where virtual bans exist on television advertising toward children, have the least;

- confectionery, breakfast cereals (mainly sweetened) and fast food restaurants overall account for over half of all food advertisements. A nutritional analysis of the commercials broadcast in the UK found that 95 percent were for foods high in fat, sugar or salt.

The report goes on to make a number of recommendations, including:

- imposing tougher restrictions on advertising to children and mandating clearer breaks between programmes and advertisements to help young children understand the difference;
- overturning the current EU Directive, by which the regulations of the transmitting country apply where cross-border advertising is concerned. Instead CI would like the receiving country to be allowed to impose restrictions on advertisements;

- broadcasting positive nutrition messages to children.

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¹ Austria, Belgium, Denmark, Finland, France, Germany, Greece, the Netherlands, Norway, Sweden, the United Kingdom, Australia and the United States.

CI warns against genetically-altered food

Genetically modified food crops that contain genes that code for resistance to some forms of antibiotics could pose a health risk to animals and humans, warned **Consumers International** (CI) in a position statement issued on 29 October.

CI urges the European Commission to reject an application by the Swiss company Ciba Geigy to market genetically modified maize, which is due to be reconsidered at the end of the year¹. In addition, it calls for a ban on the use of antibiotic resistance genes in commercial food crops.

In June, the Council of Ministers rejected Ciba Geigy's application, making it the first genetically modified crop to be rejected by the majority of EU Member States. The application is now under review by three scientific committees of the EU, who will report to the European Commission, who will then make a final decision.

The maize is altered to make it toxic to caterpillar pests that can ruin up to 20 percent of Europe's maize crops. But in the process of genetically modifying the corn, Ciba Geigy also inserted a gene that codes for resistance to an antibiotic known as ampicillin.

Ampicillin, a form of penicillin, is a valuable antibiotic used to treat various infections in animals and people. CI is concerned that if the ampicillin resistance gene starts to be used in crops and enters the food chain, it could make the treatment of infections by ampicillin far less effective.

'Antibiotic resistance marker genes' are often used as a laboratory tool to enable biotechnologists to determine more effectively whether the other genes they have incorporated into the plant cells have been successfully integrated. The problem is that, already, some disease-creating microorganisms have

acquired resistance to ampicillin due to the widespread use of the antibiotic and there is a possibility that the ampicillin resistance genes could move into bacteria present in the gut of animals and humans.

More details about CI's position on this topic can be found in its position paper titled **Biotechnology and Food Safety: The Consumer Interest**.

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Internet:
<http://www.consumersinternational.org>

¹ The marketing of the maize has already been approved in the United States, Canada and Japan.



Genetically modified soya beans: consumers' right to be informed must be respected

In a press release sent out on 16 October, **EURO COOP** insisted that the public has a right to be informed about the use of modern gene technology in the production of food. This is essential to restore the confidence of consumers in food, which has been dwindling, due to their fear of being misled.

Therefore, EURO COOP thinks that until a regulatory framework is put in place¹, it is in the interest of the

biotechnology industry to act in complete openness, in order not to alienate consumer opinion.

Hence it calls urgently on US soya producers to segregate the 2% of their latest crop which is genetically modified, and on all producers to apply the same principle in the future.

Until such a commitment has been made, cooperative societies across the EU will be asking their suppliers to

provide them with non-genetically modified soya.

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¹ A proposal for a Directive on genetically-modified organisms is under discussion.

7th European Day of Commerce

The 7th European Day of Commerce, organized by **EuroCommerce**, the body which represents the interests of the commerce sector at the European institutions, was held on 14 November, the main theme being 'commerce on the information highways'.

A number of eminent speakers attempted to answer the following questions:

- will commerce play an active part in the virtual-money society?
- Subsidiary questions: how will the costs (and profits) be shared among the various players (businessmen, consumers and intermediaries)? What specific instruments will shape this new currency (e.g. the 'electronic purse')? To what legal framework will they be subject?
- what are the challenges launched by multimedia, and how can the commerce sector take them up?
- how can the ECR (Efficient Consumer

Response) strengthen the competitiveness of SMEs and wholesalers?

However, the highlight of the day was indisputably the presentation to Jacques Santer, the President of the European Commission, of the **Manifesto of European commerce**, a document in which EuroCommerce has listed its recommendations regarding Community policies. As far as consumer policy is concerned, EuroCommerce considers that competition between businessmen is the best form of protection of consumers' interests and that, consequently, legislation must remain the exception and, in cases where it is inevitable, be limited to framework legislation. Moreover, EuroCommerce calls on the Commission to continue to fight actively for the removal of barriers to intra-Community trade in foodstuffs, such as the differences in

national legislation on labelling and the fact that certain additives and ingredients are allowed in some Member States and banned in others.

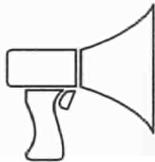
To obtain the text of the various speeches or a copy of the *Manifesto*, contact:

EuroCommerce
rue Froissart 123-133
B - 1040 Brussels
Tel.: +32 2 230 67 11
Fax: +32 2 230 00 78
Email: lobby@eurocommerce.be.

EuroCommerce can also be reached on the Internet by typing:

<http://www.eurocommerce.be>

¹ The ECR, the aim of which is to offer the consumer a better service, a better quality-price ratio and a bigger choice of products, involves stepping up cooperation between the various links in the retail supply chain. Obviously, it makes great use of information technologies.



The Internet and child safety

Recent cases of paedophilia have sparked an EU-wide debate on what can be done to protect children from abuse and exploitation.

In this context the Commission has decided to come up with proposals for measures to stop the circulation of harmful or illegal material on the Internet. In its documents¹, which will be presented to the Council at the end of November, the Commission encourages self-regulation among bodies providing access to the Internet, calls on the Council to introduce some form of European rating system for Internet sites, and suggests that contacts be taken with multinational bodies, such as the WTO or the UN, so that global solutions can be found to this global problem.

Concerning the relationship between children and the Internet, it is a fact that there are both risks and opportunities attached to it. On the one hand, young users may be exposed to sexually-explicit or violent material; but, on the other, the Web can be a precious source of

information and knowledge about virtually any topic - something which schools have been quick to recognize, as an increasing number are going on-line.

And in the specific case of child abduction, the Internet also has a positive role to play, as is illustrated by the use that the National Center for Missing and Exploited Children (NCMEC) makes of it.

NCMEC is a private, non-profit organization based in Arlington, Virginia, which claims to have helped find thousands of missing children. By using its high-tech equipment, NCMEC can link up with police forces and gain access to information on missing people. Moreover, and this is where the Internet really plays its part, it can disseminate missing children's photographs to reach every single user.

Its Web site, which is open to public consultation, provides information about its activities, as well as suggestions on how to prevent all

forms of child exploitation. In particular, in order to help young users avoid exploitative users, it offers them advice on how to behave when meeting someone new *on the Web*...

Voices can be heard calling for similar services to be set up in the EU.

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2101 Wilson Boulevard, Suite 550
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USA
Tel.: 1-800-THE LOST
Internet: <http://www.missingkids.org>

¹ Communication on Illegal and harmful content on the Internet (COM(96) 487), and Green Paper on the protection of minors and human dignity in audiovisual and information services (COM(96) 483).

AUSTRIA • WHAT FACTORS INFLUENCE FOOD PURCHASERS?

In its July issue, the magazine **Konsument**, published by the **Verein für Konsumenteninformation (VKI)** - Austrian consumer information association), asked its readers about the factors that influence their food purchasing behaviour and the difficulties they encounter in this area. The results of the survey were published in the September issue. The findings reveal that Austrian consumers are very attentive to product quality, but are quite indifferent to brand names. Almost half prefer food of Austrian origin to imported food. The reasons given are, firstly, confidence in the quality of national products and, secondly, the desire to help the national economy and to preserve jobs.

As regards shortcomings, labelling is the number one problem. Hence 61% of the respondents were sceptical

about organic product claims, because of the profusion of labels; 73% thought that additives coding was not transparent enough; 60% considered that information on product origin was not particularly clear; while 97% were familiar with the red-white-red symbol 'Made in Austria', 78% thought it stood for a wholly Austrian product, which is not the case¹.

According to the VKI, what makes the labels so confusing are the very different meanings attached to certain markings that resemble one another closely. For example, there is a special symbol for products of wholly Austrian origin that is distinct from the red-white-red 'made in Austria' one - namely the quality seal AMA 'Geprüfte Qualität Austria' (controlled quality Austria), which certifies that the product is 100% Austrian - and not just

50%. Another example concerns organic products - certain labels such as the biological label 'Aus biologischer Landwirtschaft' (product of organic farming) are conferred by independent monitoring bodies, whereas others, such as Spar's 'Naturpur' and Billa's 'Ja! Natürlich' are labels the manufacturers or distributors award to themselves.

For the VKI, one conclusion is obvious: the superabundance of labels clearly undermines their credibility.

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¹ It merely indicates that 50% of the added value is of Austrian origin.

GERMANY • CONSUMERS' ASSOCIATIONS' NEW INSURANCE ADVICE SYSTEM

The **Arbeitsgemeinschaft der Verbraucherverbände (AgV)** e.V. and the **Verbraucher-Zentralen** (consumer advice centres) have developed a new insurance program entitled '**Ihr persönlicher Versicherungsscheck**' (your personal insurance check), which offers advice, with the aid of computer databases, in all fields of insurance from property insurance, health, occupational disability and accident insurance to life insurance. Those seeking advice are informed about what insurance they need and which companies are offering policies on particularly reasonable terms. Detailed information is also provided about possible traps to watch out for when taking out a policy, and as regards the sum insured.

A comprehensive advice program of this kind is urgently needed since it is still the case that most German households have the wrong insurance or are paying too much for their policies. Experts from the consumers' associations estimate that between DM 20 billion and 30 billion a year could be saved by consumers if they terminated unnecessary policies and took out cheaper ones.

However, a maze of different premiums usually makes it difficult for consumers to find the insurance that is best for them. This is remedied by the consumers' associations' new consumer advice system, which is independent of insurance companies and does not involve brokers.

The system works as follows: any interested parties fill in an easy-to-follow questionnaire with around 20 questions on their situation in life, employment and financial position. There are explanations and notes for each question to make it easier to fill in the form. The completed form is then sent to the AgV e.V. together with a crossed cheque for DM 40. About four to six weeks later, you receive a letter containing detailed advice. All data are then deleted in order to guarantee data protection at all times.

In the letter, your personal insurance needs are explained in detail over 20 to 30 pages. You learn what private insurance is absolutely essential and what provision for your basic needs

would be covered by statutory benefits for sickness and occupational disability, and in old age. Unnecessary insurance policies which should be terminated immediately, or not taken out in the first place, are specified. At the end of each section on a particular type of insurance, there is a table showing the insurers offering reasonable terms and the annual premiums payable.

The questionnaire is available from all Verbraucher-Zentralen. Anyone requiring more detailed information should consult the booklet **Richtig versichert - viel Geld gespart** (getting the right insurance and saving a lot of money).

Further information can be obtained from:

Ileana von Puttkamer
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Heilbachstr. 20
D - 53123 Bonn
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• MEDICAL ADVICE FOR HOLIDAYMAKERS GETS BAD MARKS

The **Stiftung Warentest** (Warentest foundation) has tested 22 providers of advisory services (public health offices, specialized institutes and independent specialist physicians) intended for persons who wish to travel to distant countries. Each respondent was asked to deal with three different test cases.

Result: almost one third of these 66 'consultations' had so many weaknesses that they were decreed 'unsatisfactory'!

In particular the researchers accentuated an unsuitable choice of anti-malaria drugs, errors in vaccination recommendations, bad advice on how

to use several medications and inadequate knowledge of their side effects.

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UNITED KINGDOM • CALL FOR ACTION ON COMPETITIONS

On 3 October, the **Office of Fair Trading** (OFT) issued an official statement firmly criticizing a number of unfair practices by competition promoters, including encouraging people to believe they have already won a prize, when all they are given is entry to a prize draw.

A study previously commissioned by the OFT had shown that although almost all forms of gambling, competition or prize draw caused problems for consumers, premium rate telephone competitions gave rise to most dissatisfaction, with one in five participants believing that they had been treated unfairly or misled by the promoters.

John Bridgeman, Director General of Fair Trading, said: 'There are several

reasons for being seriously concerned about premium-rate telephone competitions: 1) there have been abuses by promoters who have induced consumers to make long and expensive calls for prizes of very limited value; 2) the questions are too easy, encouraging too many people to enter; 3) winners are never announced; 4) these competitions are most often aimed at children, who are vulnerable consumers.' He added that he would like to see a fixed entry fee stated at the outset rather than payment by the minute which encourages unscrupulous promoters to make the call unnecessarily long.

Second on the black list were mail order or subscription draws. These typically invite consumers to take a catalogue or subscribe to a magazine

and at the same time receive a 'pre-drawn prize'. Words used such as 'You may have won...', can give the impression that consumers are closer to winning a prize than in fact they are. It may also mean that certain prizes are not awarded if the person holding the lucky numbered ticket does not apply.

Further down the list was the National Lottery weekly draw. Respondants complained that the smaller prizes were too small and that too much money was kept by the organizers.

John Bridgeman said that he would be sending the findings and his comments to the Committee of Advertising Practice, the Independent Committee for the supervision of Standards of Telephone Information Services (ICSTIS)², and the Director General of

the Office of the National Lottery (OFLOT), and warned those using misleading advertising in this area that he would not hesitate to take action in cases referred to him.

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Fax: +44 171 269 8961

¹ **Research paper 8 - Gambling, competitions and prize draws**, published in September 1996, is available, free of charge, from:

Office of Fair Trading
PO Box 172
UK - East Molesey KT8 0XW
Tel.: +44 181 398 3405

² The premium-rate telephone services watchdog, which regulates premium-rate telephone competitions. In June 1996, it published a consultation paper titled **Premium Rate Telephone Competitions**

in the UK (see the 'Publications' section of the August 1996 issue of **INFO-C**), to which the OFT responded with a copy of the results of its survey.

• **HEALTH CLAIMS ON FOODS QUESTIONED**

In an article titled 'Functional foods', which appeared in the October 1996 issue of its magazine **Which?**, **Consumers' Association** (CA) reports on its investigations into the allegations made by food manufacturers about the 'functions' performed by the ingredients they add to their products.

CA has studied a variety of foods containing added ingredients - from white bread with fish oils¹ through yoghurt with lactobacillus acidophilus and bifido bacterium to 'energy-giving drinks' with guarana and ginseng.

Its verdict: Consumers should NOT bother with these foods. For even though some functional foods may have a place in some diets, varied, balanced meals are far more likely to keep the doctor away than a quick fix from a single product.

But overall, what CA is most critical of is not so much the added ingredients themselves as the fact that:

- isolating the added ingredients from the foods which naturally contain

them undermines the need for a balanced diet. For instance, eating plenty of fruit and vegetables is far healthier than absorbing antioxidants added to foods or drinks;

- healthy-eating messages are blurred by some unscrupulous manufacturers who do not hesitate to add apparently 'healthy' ingredients to otherwise 'unhealthy' foods, such as crisps, sweets and sugary drinks;
- most of the claims made have never been substantiated by any serious, long-term study. In particular, there is, for the time being, no evidence that any of the functional foods on the market can prevent diseases - as some of the more specific claims imply.

As a result, CA calls for urgent action to prevent exaggerated or misleading health claims on all foods or drinks. It recommends the introduction of rules which would:

- define what 'health claim' means and when one can be made;
- say clearly how much evidence is needed to make a claim;

- provide for quick penalties for manufacturers who make exaggerated or misleading health claims;
- compel manufacturers to prove the veracity of any claim *before* the products go on sale;
- require labels on foods and drinks to give the following information: what ingredients the product contains and in what quantities; exactly in what quantity and how often it needs to be eaten or drunk for it to have an effect; if any people should not eat or drink it (e.g. pregnant women, children, people with an allergy, etc.); and if there is any risk of overdosing.

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¹ The richest source of fatty acids.

• SPRING WATER REVEALS MURKY LAW

Consumers are being misled by the term 'spring water' and further misled by flavoured spring water drinks, according to a report from **The Food Commission**, issued on 16 October, which found that many such drinks use preservatives, colourings, artificial sweeteners and other additives, even though the name on the front implies a relatively pure drink.

'We had complaints from shoppers that what they thought was pure water with a drop of fruit flavouring was in fact a sweet soft drink with preservatives and other additives', said the report's author, Tim Lobstein. 'For instance,

Sainsbury's 'Crystal Spa Made with Spring Water and Natural Tangerine Flavour' has more added sugar than Coca Cola, while Ribena 'Spring' has an incredible 13 sugar lumps in a single serving!

Unlike *mineral* water, which is tightly defined by law, *spring* water has no legal definition and manufacturers may - and do - use water from sources other than natural springs. If a flavouring agent is added then the product is defined as a soft drink, not a bottled water, and all the colourings, preservatives and sweetening agents used in soft drinks can be added.

'When Perrier added 'a twist of lemon' to their mineral water they started a trend which other companies have been quick to exploit', added Lobstein. 'It is about time we had clear, honest labelling.'

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• UNFAIR CONTRACT TERMS POSE SERIOUS PROBLEMS FOR CONSUMERS

The **Office of Fair Trading** (OFT) has received more than 1 000 complaints since the Unfair Terms in Consumer Contracts Regulations¹ came into force on 1 July last year. Action was taken on two-thirds of these.

The use of unfair terms by the double-glazing and window replacement industry is causing particular concern.

John Bridgeman, Director General of Fair Trading, said that the industry seemed to be particularly prone to using contract clauses which sought to reduce the rights and scope for redress of customers. More than 40 double-glazing firms are expected to be asked to change or remove unfair terms such as:

- clauses which exclude liability for death or personal injury caused by the negligence of the supplier;

- clauses which enable the supplier to evade responsibility for statements and promises by sales people;
- clauses which state that the consumer must comply with technicalities in the small print to have any right to make any claim for compensation for defective goods or workmanship - and must act within seven days of installation;
- clauses which give the supplier unequal cancellation rights, allowing him to keep deposits;
- clauses which give the supplier very wide rights to change what is supplied and to increase prices;
- clauses which have the effect of letting the supplier take as long as he likes to supply the product.

Publishing the latest bulletin² on cases dealt with by the OFT's Unfair Terms in Consumer Contracts Unit,

John Bridgeman said many businesses have failed to bring contracts into line with recently implemented EC regulations. Worse still, the OFT has found that many unfair terms do not even comply with *long-standing UK consumer protection legislation!*

'Some businesses are blatantly relying on unfair contract terms to deny their responsibilities towards consumers. This seems to be particularly true of furnishing and home improvement businesses, but also of public buildings such as leisure centres, which continue to post all-embracing liability exclusion clauses on their walls. Therefore, I am calling on *all* companies to check whether their contract terms meet the requirements of the Regulations. Failure to amend or remove unfair terms could lead to a court injunction', Bridgeman said.

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Fax: +44 171 269 8961

¹ Transposing Council Directive 93/13/EEC of 5. 4. 1993 on unfair terms in consumer contracts into UK law. The UK Regulations list 17 examples of terms which may be regarded as unfair.

² Unfair Contract Terms Bulletin: Issue 2

is available, free of charge, from:
Office of Fair Trading
PO Box 172
UK - East Molesey KT8 0XW
Tel.: +44 181 398 3405

DENMARK • COOPERATIVES BACK 'GREEN CONSUMPTION'

In August **FDB** (Danish cooperative union) launched a large-scale public awareness campaign on sustainable consumption, by publishing and massively distributing a booklet titled **Den grønne indkøbsvogn** (the green shopping guide). The booklet has the format of a mini-pocket guide and fits in a wallet so that shoppers can consult it at any time. The purpose is not to recommend any specific brand but to feature all the questions which consumers should ask themselves when they want to make an ecological choice (for example: Has this paper been bleached without chlorine? Can

this packaging be recycled? Are these vegetables grown organically? Etc. etc.). It was distributed directly to shoppers at the coops themselves. Considering that the operation was broadly a success, FDB is willing to provide information to anyone thinking of launching a campaign of this type in Denmark or elsewhere.

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FDB has also published its action plan for 1996-2001, highlighting five priorities:

- increase the influence of its members and employees;
- provide more information on the products sold in its shops;
- urge its suppliers to adopt manufacturing procedures that are respectful of the environment;
- sell products that are as safe and healthy as possible;
- take a stand on all ethical problems linked to consumption.

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FRANCE • YES TO MANDATORY LABELLING OF BOVINE MEAT

In a press release dated 23 October and in a position statement signed by its President Marie-José Nicoli, published in the November issue of **Que Choisir**, the French **Union Fédérale des Consommateurs** (UFC) calls for the *mandatory* marking of bovine products¹ identifying the animal's place of origin, the type of herd to which it belonged (dairy, meat or mixed), its category (bull, heifer,

adult cow, etc. with year of birth in the latter case), as well as the date of slaughtering.

The UFC says that this measure, while it in no way guarantees the quality of the meat, will at least enable consumers to choose in full knowledge of the facts.

This demand has also been taken up by France's National Consumer

Council in the form of an opinion.

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F - 75555 Paris
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¹ Pieces of meat, and not only live animals.

• LOCAL PILOT PROJECT CONCERNING THE *NEGOTIATED* SETTLEMENT OF CROSS BORDER CONSUMER DISPUTES

Since the French Department of the Pyrénées-Orientales borders on the Spanish Province of Catalonia, the **Maison catalane de la Consommation**, an umbrella body of seven consumer associations in the Pyrénées-Orientales, signed a partnership agreement in April 1995 with the Barcelona-based **Institut Catala del Consum** on the settlement of cross-border consumer disputes.

A joint body representing the member associations of the Maison catalane de la Consommation and the Institut Catala del Consum, as well as professionals, was created in April 1996 with the mission of facilitating the negotiated and speedy settlement of such disputes¹.

The objective of the parties involved in this project is to boost consumer confidence in cross-border shopping, while urging professionals to adopt more consumer-friendly practices, and, in the long term, to harmonize these practices on both sides of the border.

The settlement committee's work is regularly evaluated, notably via a survey designed to determine the satisfaction of consumers and professionals that make use of its services. It is also planned to hold quarterly guidance meetings of all the partners in order to adapt the structure to possible new needs.

The project is supported by the Generalitat de Catalunya (Spain), the French governmental body responsible for competition, consumer affairs and the suppression of fraud (DGCCRF) and, at European level, by DG XXIV at the European Commission.

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¹ Not more than three months for the most complex dossiers!

• LOCAL BUSINESS ZONING AGREEMENT BETWEEN CONSUMERS AND TRADERS

A first for France: on 25 June a 'business zoning charter' was signed for the District of Rennes by the local authorities¹, traders² and consumers³.

In putting their signatures to this document, which is valid for five years, the parties involved have demonstrated their concern to improve the region's retail business structure, notably with an eye to establishing a balance between out-of-town shopping centres and local shops, the

objective naturally being to avoid the extinction of the latter. Hence all new applications for the construction or extension of shopping centres will have to be assessed in the light of the Charter.

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¹ Represented by Edmond Hervé, Mayor of Rennes and President of the District of Rennes.

² Represented by the Rennes Chamber of Commerce and Industry, the Chamber of Trades of Îlle-et-Vilaine and the Business Union of Rennes.

³ Represented by the **Maison de la Consommation et de l'Environnement**.

ITALY • BOTULISM: WHATEVER HAPPENED?

The botulinal contamination of certain batches of mascarpone in Italy in September had tragic consequences that made front-page news. For the health authorities, the manufacturer responsible and, of course, consumers, the question immediately arose as to how such a thing could have happened.

On 14 September the **Associazione Consumatori Utenti** (ACU - association of consumers and users) presented the conclusions it has drawn from the information supplied by the health authorities. The ACU sees three possible causes of this contamination:

1. the raw material (milk and cream) may have been contaminated during transport (dirty tanks, piping, pumps);

2. the manufacturer's installations may not have been properly disinfected between two operations;
3. in either of the above cases, there was probably a break in the cold chain during manufacture, storage, transport or distribution.

In the hope that definitive conclusions can eventually be drawn, ACU has urged the magistrates responsible for the inquiry to impound all documentation concerning the manufacturer's commercial relations with his suppliers and carriers, including technical specifications and quality control manuals.

It has also invited the investigators to identify the stocks of products

previously manufactured in the same installations, and to carry out the appropriate analyses.

Finally, it has called for a complete follow-up of the products 'from the milk producers' cowsheds to the victims' refrigerators', in order to apportion responsibility fairly.

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SPAIN • GENERIC DRUGS: EVERYONE STANDS TO BENEFIT

Generic drugs are all for the best - this is the conclusion drawn by the **Confederación Estatal de Consumidores y Usuarios** (CECU - confederation of consumers and users) from its recent study on drug retail prices.

CECU claims that if - for a given active principle - the cheapest medicine were to be systematically purchased, the cost of the drug would drop substantially, both for the State and for consumers.

For example, aspirin retails at between 32 pesetas for the cheapest generic

product and 1 011 pesetas for the most expensive brand-name product - a whopping 3 159% difference!

Although this is an extreme case, the CECU study shows that the average ratio between the retail price of the cheapest generic drug and that of the dearest brand-name equivalent is 1 to 7.

To this may be added the potential savings to be made by selling drugs in smaller packages, or by supplying only the quantity necessary for the treatment.

Hence the CEUC urges the Spanish authorities to take the necessary measures to change behaviour in this domain.

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SPAIN/PORTUGAL/ITALY • YOUNG CONSUMERS AND PACKAGING

For a number of weeks now **EURO COOP** has been coordinating a campaign to raise young consumers' awareness of the problems posed by packaging and packaging waste, conducted by its member organizations in Spain (HISPACOOOP), Italy (ANCC) and Portugal (FENACOOOP).

This campaign, the ultimate aim of which is to inform young consumers so that they will advocate a more responsible and rational use of packaging on the part of the adults around them, is based on:

- a scientific dossier which analyzes the history and technical aspects of packaging, and reviews the experience and proposals of consumer cooperatives in this area;
- teaching material for primary and secondary schools. This material, in

the form of a kit, comprises a teacher's manual, teaching sheets, a game and an activity/information video.

It is hoped to reach no fewer than 4 500 000 young people in this way.

Moreover, HISPACOOOP and FENACOOOP are working together on the 'information of the general public' strand of the campaign, in the form of a booklet which is distributed free of charge in the coop stores, viz. 830 000 copies in Spain and 225 000 in Portugal. This booklet informs consumers about the composition of household waste, the role of packaging in this waste, and finally practical ways of applying the policy of the '3 r's' (reduce, re-use, recycle) to packaging (for example, by re-using plastic bags when shopping).

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— Finland —

Ad campaign aimed at children stopped

The company Rautakirja Oy had launched a high-profile advertising campaign including posters with the picture of a bag of sweets and the slogan 'Sweets help you make friends'.

The **Consumer Ombudsman** asked the company to stop the campaign, considering that to suggest that children could avoid loneliness by buying sweets was an unacceptable marketing ploy which exploited children's fear of loneliness and rejection.

He said that the campaign was counter to good practice and in breach of Chapter 2, section 1, of the Consumer Protection Act.

In addition, he cited two previous rulings by the Market Court, one which had established that advertising directed at children must be evaluated more strictly than other advertising, as 'children are more easily influenced due to their lack of experience and knowledge', and another which had already condemned an ad that gave the impression that the product would make children feel less lonely.

Finally, he referred to the advertising industry's own international guidelines on advertising to children, whose Article 13 states that children's natural credulity must not be exploited in advertising, and Article 3 states that

advertisements must not imply that the mere possession or use of a product will give a child a social, physical or psychological advantage or, conversely, that not possessing or using a product will put a child at a disadvantage.

[Ref: 96/40/0989]

Contact:

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In 1990, the **National Consumer Council** (NCC) launched its first survey of consumers' views of public services. In 1996, it repeated the exercise to see if, and if so how, opinions had changed over time. The results are to be found in a report titled **Consumer Concerns 1996 - Consumers' views of public services**¹, which examines:

- trends since 1990 in consumer satisfaction with the services they use;
- how satisfied consumers are with the safety, quality and reliability of specific services²;
- whether consumers think services are reasonably priced;
- whether consumers think service providers listen to and take care of them adequately.

The results are broken down by regions and population groups.

There has been a general *increase* in consumer satisfaction with services over the period. More specifically, satisfaction with

- *postal and post office counter services* has increased to a particularly high level across all aspects - reliability, speed, price, customer care, etc.;
- *BT* has increased slightly concerning the overall service provided, but much more substantially when it comes to charges;
- *electricity suppliers* remains at the same high level as in 1990, with even more people deeming charges to be reasonable;
- *gas suppliers* has fallen slightly;
- *water suppliers* remains low compared with the other utilities;
- *broadcast services* has increased significantly in the case of terrestrial TV channels, but remains lower than in the case of radio and other TV channels. The price of a television licence is more likely to be felt unreasonable than reasonable, while it is the other way around for the cost of a subscription to cable and satellite television services;
- *public transport* remains very high in the case of coach services, fairly high

in the case of bus services (but with a significant minority of users who remain very dissatisfied with overall service), and relatively low with rail services (excessive prices and lack in customer care are the two main causes for dissatisfaction).

Given the vital importance of public services and utilities for consumers, especially the most vulnerable ones, the NCC pledges to continue to monitor their performance from the *individual consumer's* viewpoint.

Contact:

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¹ Also including privatized utilities.

² Post office counters and postal services, BT, electricity suppliers, gas suppliers, water suppliers, broadcasting services, coach services, bus services and rail services.

Change in Store, a report recently published by **The Scottish Consumer Council**, describes the experiences of young disabled people as consumers in Scotland. Based on research with people aged 15 to 25 with various types of handicap - physical, visual, or hearing impairment or learning difficulties, it covers four areas: high street goods and services, financial services, leisure and recreation, and communication services.

It finds that disabled people are confronted with a wide range of barriers - physical barriers, attitudinal

barriers, and barriers caused by the policy or practice of the provider of goods and services, with lower levels of confidence as the main consequence.

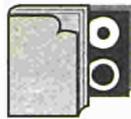
It expresses the view that disabled people should not have to pay more than non-disabled people for similar services - a concern which arises particularly in relation to the cost of insurance.

It also suggests that the attitude of other members of the public is changing, and that young people are in general more helpful to young

disabled people than older people - although it does appear that the general public could be made considerably more aware.

Finally, with the Disability Discrimination Act 1995 coming into force on 2 December 1996, it makes various recommendations to providers of goods and services about how they could improve their service to disabled people.

Change in Store is available in Braille, on audiotape, on computer disc and also in print form, from:



The Scottish Consumer Council
Royal Exchange House
100 Queen Street
UK - Glasgow G1 3DM
Tel.: +44 141 226 5261
Fax: +44 171 221 0731
Email: 101346.3164@compuserve.com

In *Making Markets Work - A Consumer Agenda*, presented to the public on 18 September, **Consumers' Association** (CA) lists the 18 key consumer issues it would like the next British government¹ to tackle - ranging from the UK competition policy through public utilities, the information society, healthcare, food safety, access to justice, financial services, consumer education, etc., to consumer affairs in government policy-making, and identifies the four main challenges the government will face: passing clearer regulation in sectors such as financial services, public

utilities, food, etc.; promoting the general public's confidence through a policy of open and transparent information; overhauling the current piecemeal system of representation of consumer interest; and ensuring that the market functions according to the principles of fair trading. In so doing, it makes recommendations on how each of the 18 issues ought to be tackled and each of the four challenges ought to be met if the consumer interest is to be given priority, insisting on the fact that its proposals are realistic and do not need to cost large amounts of public money.

CA hopes that *Making Markets Work - A Consumer Agenda* will inspire parties and individual candidates to place consumers at the heart of their own agendas.

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Fax: +44 171 830 6220
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¹ The next general elections are scheduled for 1997.

*BSE: a public health issue*¹, published last June by **Consumers in Europe Group** (CEG), contains CEG's brief and recommendations on Bovine Spongiform Encephalopathy. Although this document is already six months old, it is still worth reading for its chronology of all the events that have occurred over the past two decades eventually leading to the present situation; its list of references to numerous scientific publications, television reports, MAFF documents, magazine or newspaper articles, etc.; its definitions of BSE and CJD and presentation of the

possible link between the two; its analysis of how the crisis was handled by both the UK and EU authorities; its objective summaries of several experts' diverging viewpoints on the risk of contracting CJD from eating beef; its views on what precautionary measures should be taken on farms and in slaughterhouses; its presentation of the directions for research on BSE and CJD; its assessment of the economic implications of the BSE crisis on the CAP; as well as its call for the development of a live animal test, better consumer information², and the extension

of the scope of the Product Liability Directive to include primary agricultural produce.

Contact:

Consumers in Europe Group
24 Tufton Street
UK - London SW1P 3RB
Tel.: +44 171 222 2662
Fax: +44 171 222 8586

¹ Ref.: CEG 96/13.

² At present, manufacturers are obliged to indicate whether their products contain meat, but not *what kind* of meat...



Now that supermarkets store thousands of different foods, those of us who are not experts could certainly benefit from better knowledge of how to recognize freshness and quality, how and where to store (and what not to store with), whether to freeze, whether to cook before freezing, how to reheat safely, how to use up leftovers, etc.

The Which Guide to Buying and Storing Food first gives some general

recommendations on how best to preserve food. Then, in a substantial A-Z section, it explains how to select, store and use a wide range of foods. In its third chapter, it unveils the mystique of food labelling, exposing all the dark secrets behind claims such as 'natural' or 'low fat', or terms such as 'hydrolyzed vegetable protein' or 'ribonucleotide'. Last but not least, it includes advice from the *Which?* legal department on how to pursue a serious

complaint related to food.

Contact:

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2 Marylebone Road
UK - London NW1 4DF
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Fax: +44 171 830 6220

Federconsumatori Marche (Federconsumatori, Region of Marche/Italy) has published a brochure titled **Turista non per caso** ('professional' tourist), whose purpose is to head off misunderstandings and disputes between providers of tourist services and holidaymakers by furnishing the

latter with timely information about their rights. The brochure was distributed to tourists holidaying in the region last summer. The experience was a positive one and Federconsumatori hopes that in the future it will be able to publish the brochure in languages other than Italian.

Contact:

Federconsumatori Marche
Via Pretoriana 55
I - 63100 Ascoli Piceno
Tel.: +39 736 25 21 21
+39 736 25 17 43
Fax: +39 736 25 21 95

COLOC 60 - a federation of several consumer associations¹ in the French Département of Oise - has published a report containing the results of a survey of consumer purchasing behaviour in the region, whose aim was to answer two key questions: what kind of stores do consumers frequent and what expectations do they have?

COLOC 60 considers this to be a real contribution to the great debate on the role that each distribution system should ideally play (corner shops, cash and carry outlets, and hard discount stores, but also fairs, mail order, teleshopping, etc.), which has long been a major bone of contention in France.

Contact:

COLOC 60
18 avenue Marie-Amélie
F - 60500 Chantilly
Tel.: +33 3 44 57 14 85

¹ **Associations Populaires Familiales Syndicales, Confédération Syndicale du Cadre de Vie and Familles de France.**

Déménager dans un autre pays membre de l'Union européenne (moving to another Member State of the European Union) is the title of a new brochure published by the **cross-border consumer agency** in Mons/Belgium that seeks to answer the main questions put by the European citizens concerned, be they

students, workers, jobseekers or pensioners: Will my diplomas be recognized in my new country of residence? Can I transfer my savings there? Can I take my car? Will I be entitled to social security? Will I be able to draw unemployment benefits? Will I be able to buy property there? Where will I be taxed? Etc. etc.

Contact:

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Agence transfrontalière de la consommation
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B - 7000 Mons
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Fax: +32 65 31 62 30



Luxembourg's **Euroguichet-Consommateur** (consumer infocentre) has recently published three new brochures:

- **Les conditions générales contractuelles** (standard terms in contracts), which spotlights Luxembourg law governing unfair terms; in particular, it lists terms which are *always* to be considered unfair by the courts;

- **Achat dans les foires et salons** (purchases at fairs and trade shows), which surveys Luxembourg, Belgian, French and German law governing transactions concluded at such events;
- **Voyage par avion - Surréservation et perte de bagages** (air travel - overbooked flights and lost luggage), which surveys European law on overbooking and the

Warsaw Convention rules governing lost luggage.

Contact:

Union luxembourgeoise des Consommateurs
55 rue des Bruyères
L - 1274 Howald
Tel.: +352 49 60 221
Fax: +352 49 49 57

For many people - particularly in the frontier regions - cross-border shopping has long been taken for granted. Consumers travel to a neighbouring country to buy furniture, clothing, cars, package holidays, etc.

But what do consumers do if a problem crops up? As we all know, being in the right and getting justice done are two different things.

In two new brochures **Einkaufen in den Niederlanden - Was mache ich wenn etwas schief läuft** and **Inkopen in Duitsland - en als er iets mis gaat** the Euregio cross-border consumer infocentre in Gronau explains how consumers in the Netherlands and Germany can exercise their rights in the event of a dispute.

Contact:

EUREGIO
Grenzüberschreitende Verbraucherberatung
Postfach 11 80
D - 48572 Gronau
Tel.: +49 25 62 7 02 17
Fax: +49 25 62 16 39

EUREGIO

Grensoverschrijdende Consumentenadviesing
Postbus 6008
NL - 7503 GA Enschede
Tel.: +31 53 4 615 615
Fax: +49 25 62 16 39

New from **Stiftung Warentest** (Warentest foundation):

- The guide **Richtig schützen vor Einbruch und Diebstahl** (protect yourself properly against burglary and theft) sorts the wheat from the chaff where security systems are concerned - everything from bicycle chains to alarm systems for houses or flats, including anti-theft devices for motor cars. It explains the technical terms with the aid of images and describes how each system operates, spotlighting its pros and cons. It also contains information on the cost of effective protection and insurance terms concerning theft, as well as tips on

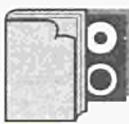
how to reduce the risk of burglary during holidays and how to react if you surprise a thief red-handed. Finally, victims are told where they to go for financial, legal or psychological aid.

- The magazine **test**'s special issue on communications media keeps readers abreast of all major aspects of the world of communications, featuring test reports on over 60 products and articles covering a gamut of products ranging from the traditional analogue telephone to ISDN devices and mobile phones. The pricing of cellphone services and the pro and cons of calling

cards and callback services are critically scrutinized. To help consumers navigate the maze, the issue also surveys the market for smart telephones, intercom systems, modems, ISDN cards, combination devices (fax-scanner-printer) and pagers.

These publications are on sale in book stores and newsagents, or can be ordered from:

Stiftung Warentest
Lützowplatz 11-13
D - 10785 Berlin
Tel.: +49 30 26 31 23 45 (Heike van Laak)
+49 30 26 31 22 39 (Ute Bränzel)
Fax: +49 30 26 31 24 29



- The guide titled ***Von der Sonnenwärme zum warmen Wasser*** (from solar heat to hot water), published by **AgV e.V.** and the Hamburg, North Rhine-Westphalia and Lower Saxony **Verbraucher-Zentralen**, provides basic information and practical tips to meet homeowners' growing interest in solar power units. The example given - based on a four-person household - lists the things to remember when planning to install a solar power unit. The guide tries to answer such frequently asked questions as 'Can a solar power unit pay its way?' or 'Can a solar power unit be linked up with the existing hot water system?'
- ***Brillen und Kontaktlinsen*** (spectacles and contact lenses),

published by **AgV e.V., Institut für angewandte Verbrauchersforschung** (institute for applied consumer research) and the Hamburg, North Rhine-Westphalia and Lower Saxony **Verbraucher-Zentralen**, is a must for eyewear purchasers. Headings: Spectacles in history; Lenses made easy; How the eye works; Suppliers of spectacles; Fixed-price spectacles; What are spectacle frames made of?; Lenses for spectacles; Tips for buying fixed-price spectacles and Contact lenses or spectacles?

- The most important problems of consumer law are summarized in a small lexicon titled ***Kleines Lexikon des Verbraucherrechts*** (small lexicon of consumer law) published by **AgV e.V.**. Headings

include such varied themes as standard terms in contracts, package holidays, interest rates, subscriptions, distraint of goods, the enforcement of court judgments, and much more besides.

- **AgV e.V.** has also published a brochure titled ***Verbraucherschutz in der Bundesrepublik Deutschland*** (consumer protection in the Federal Republic of Germany) describing the tasks and structures of German consumer organizations and government agencies.

Contact:

AgV e.V.
Heilsbachstr. 20
D - 53123 Bonn
Tel.: +49 2 28 64 890
Fax: +49 2 28 64 42 58

The ***Ratgeber Rinderwahnsinn BSE - Welche Produkte sind noch sicher?*** (vademecum mad cow disease/BSE: what products are still safe?) - published by the **AgV e.V.** and the **Verbraucher-Zentralen** of Hamburg, Baden-Württemberg, Lower Saxony and North-Rhine Westphalia - contains information on:

- shopping tips for products containing bovine materials;
- the history of the BSE scandal;
- current BSE statistics with a breakdown by country;
- symptoms of the brain diseases;
- the food producers who have issued a formal assurance to the consumer

centres that they do not use products from the United Kingdom.

Contact:

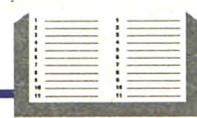
Verbraucher-Zentrale NRW
Mintropstr. 27
D - 40215 Düsseldorf
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Fax: +49 211 380 91 72

The **Stiftung Verbraucherinstitut** has published a 113-page report titled ***Nachhaltiger Konsum - Welchen Beitrag kann die umweltbezogene Verbraucherarbeit leisten? Dokumentation eines Workshops*** (sustainable consumption - how can

work on environmental consumption contribute? Workshop proceedings), in which environmental and consumer organizations present their views on how the challenges of sustainable consumption should be met.

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Fax: +49 30 25 49 02 27



17-18 April 1997

1st European Convention in Consumer Safety

The **European Consumer Safety Association** (ECOSA) announces a major international two-day Convention titled '**Europe signposts a safer world**', which will take place in Barcelona, Spain, on 17-18 April 1997. A number of leading consumer safety professionals will cover the following: standards in Europe, certification and

private labelling, international enforcement and information technology, consumer education, safety labelling and warning symbols, and risk assessment.

Additional information can be obtained from the organizers of the Convention:

Copson International Ltd
Refuge Assurance House
Lord Street
UK - Liverpool L2 1TT
Tel.: +44 151 707 0970
Fax: +44 151 709 5447
Email: copson@mail.cybase.co.uk
(Contact person: Jarco de Bruin)

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