

# European Communities

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## EUROPEAN PARLIAMENT

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## Report

drawn up on behalf of the Committee on Economic and Monetary Affairs

on the proposal from the Commission of the European Communities to the Council (Doc. 466/75) for a directive on the approximation of the laws of the Member States relating to articles of precious metals

Rapporteur: Mr Kai NYBORG



By letter of 19 December 1975 the President of the Council of the European Communities requested the European Parliament, pursuant to Article 100 of the EEC Treaty, to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a directive on the approximation of the laws of the Member States relating to articles of precious metals (Doc. 466/75).

The President of the European Parliament referred this proposal to the Committee on Economic and Monetary Affairs as the committee responsible. Following a decision by the Committee on Economic and Monetary Affairs on 1 October 1976 the Committee on the Environment, Public Health and Consumer Protection was asked for its opinion.

On 30 January 1976 the Committee on Economic and Monetary Affairs appointed Mr Mitterdorfer rapporteur; the latter was replaced by Mr Nyborg on 23 November 1976.

It considered this proposal at its meetings of 13 April, 30 April, 1 October 1976 and 30 September 1977.

At its meeting of 30 September 1977 the committee adopted the motion for a resolution by 12 votes to one with three abstentions.

Present: Mr Glinne, chairman; Mr Notenboom, vice-chairman; Mr Nyborg, rapporteur; Lord Ardwick, Mrs Dahlerup, Mr Deschamps, Mr Haase, Mr Lange, Mr Van der Mei, Mr Noè (deputizing for Mr Ripamonti), Mr Osborn, Mr Schmidt (deputizing for Mr Prescott), Mr Starke, Mr Stetter, Mr Spinelli and Mr Zeyer.

The opinion of the Committee on the Environment, Public Health and Consumer Protection is attached.

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The Committee on Economic and Monetary Affairs hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the proposal from the Commission of the European Communities to the Council for a directive on the approximation of the laws of the Member States relating to articles of precious metals

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council<sup>1</sup>,
- having been consulted by the Council pursuant to Article 100 of the EEC Treaty (Doc. 466/75),
- having regard to the report of the Committee on Economic and Monetary Affairs and the opinion of the Committee on the Environment, Public Health and Consumer Protection (Doc. 315/77),

Rejects the Commission's proposal.

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<sup>1</sup> OJ No. C 11, 16 January 1976, p. 2

EXPLANATORY STATEMENT

1. This proposal was originally considered in the Committee on Economic and Monetary Affairs as part of a report dealing with several proposals relating to the elimination of technical barriers to trade. At the request of various members of the committee this proposal was removed from the overall report because it had far-reaching implications for consumer protection which required detailed attention. On 1 October 1976 the Committee on Economic and Monetary Affairs decided to obtain the opinion of the Committee on the Environment, Public Health and Consumer Protection on this proposal.

When the Committee on the Environment, Public Health and Consumer Protection had delivered its opinion, the Committee on Economic and Monetary Affairs resumed its consideration of the proposal on 30 September 1977.

2. The committee considered the Commission's proposal and also the alternatives suggested by your rapporteur in his draft report (PE 49.697).. These alternatives included limiting direct inspection to articles worth over 200 EUA, adding an extra standard for gold and replacing optional harmonization by total harmonization. As regards the Commission's proposal, criticisms were made in connection with consumer protection, the cost of the proposed guarantee system, the adverse economic implications for countries which have no direct guarantee system and export large quantities of articles of precious metals, the difficulties which implementation of the proposal would create for small craft industries, the disappearance of the producer's responsibility as a result of direct inspection and the fact that harmonization was not necessary in this sector.

3. The Committee on Economic and Monetary Affairs was of the opinion that the possible positive impact of the proposal - improved consumer protection and the elimination of technical barriers to trade - was outweighed by the abovementioned drawbacks and therefore decided to reject the proposal.

OPINION OF THE COMMITTEE ON THE ENVIRONMENT,  
PUBLIC HEALTH AND CONSUMER PROTECTION

Draftsman : Mrs E. KRUCHOW

On 24 November 1976 the Committee on the Environment, Public Health and Consumer Protection appointed Mrs KRUCHOW draftsman..

It considered the proposal at its **meeting of 20 January 1977**, in the presence of Mr De Grave, rapporteur of the Economic and Social Committee and at its meetings of 28 April and 23 June 1977. At this last meeting it approved the opinion with three votes against and one abstention.

Present: Lord Bethell, vice-chairman; Mrs Kruchow, draftsman; Mrs Cassanmagnago Cerretti, Mr Edwards, Mr Evans, Lady Fisher of Rednal, Mr Gibbons, Mr Emile Muller, Mr Noè, Mr Rivierez, Lord St. Oswald, Mr Spicer, Mrs Squarcialupi, Mr Vernaschi and Mr Veronesi.

## I. General considerations

1. This proposal for a directive is submitted as part of the second phase of the general programme on the elimination of technical barriers to trade in industrial products of 28 May 1969; it is also referred to in the Council resolution of 17 December 1973 on industrial policy.
2. The Committee on the Environment, Public Health and Consumer Protection recognizes that the laws and administrative provisions in force in the Member States relating to articles of precious metals reveal considerable differences as regards, for example, legal standards governing fineness and precious metal content, inspection and testing methods (assay methods), and also as regards hallmarking systems themselves, which range from compulsory state guarantees to guarantees by the manufacturer.
3. These differences in the provisions of the various Member States compel manufacturers of precious metals to adapt their production to the provisions in force in the State for which the articles are intended.
4. Under one hallmarking system, articles of precious metal must be submitted to an assay office before being placed on the market; under another system, they must be imported by an agent issued with the national identification hallmark. In both cases imported articles must undergo additional hallmarking.
5. Only in one Member State must dues be paid to obtain the State guarantee.
6. The Committee on the Environment, Public Health and Consumer Protection recognizes that these differences, several of which have their roots in traditions going back many years, may have harmful effects on free trade between the Member States.
7. However, the committee wishes to draw the attention of the committee responsible to a few unsatisfactory points in the draft directive which ought to be remedied with a view to protecting the consumer.

## II. Comments on the Commission's proposal:

### A. The principle of harmonization:

8. Although this proposal largely follows the International Convention (EFTA Convention) and is based on 'limited' and 'voluntary' harmonization by means of State inspection and hallmarking of individual articles - the so-called state guarantee system, the Committee on the Environment, Public Health and Consumer Protection is less than enthusiastic about this type of State inspection and hallmarking. As the principle of



harmonization and its corollary, the voluntary hallmarking system, become established, agencies of considerable size will need to be set up to inspect all goods made of precious metals, even those of very low weight or low value, in those Member States which have hitherto used another system. This means that a fairly large number of jobs will need to be created in the public sector of the countries concerned.

9. Producers will also suffer increased costs as a result of interruptions in the rhythm of production and having to send articles for inspection and hallmarking by the state agencies. This will call for substantial long-term precarious and expensive investment in stocks of finished articles in order to benefit from any anticipated upswing in the economy, as firms will otherwise be unable to exploit market outlets to the full at certain periods. These increased costs will be indirectly passed on to the consumer.

#### B. The optional harmonization method

10. The voluntary system under the proposed directive enables a State to continue using its existing national hallmarking procedure for imported articles. However, following the entry into force of the new system, there must be no discrimination between nationally manufactured goods and imported articles stamped with the EEC hallmark. This means that long delays in delivery, such as those to which West German goods are subject in the United Kingdom, ought to be reduced after the introduction of the new directive.

11. In this connection, the committee wishes to draw attention to the problem which may arise from the fact that the Commission does not prescribe that individual countries should set up their own inspection agencies. Large-scale exporting countries which do not possess their own inspection agencies may make use of the services of agencies in other countries and, by means of this 'third country hallmark', avoid bottlenecks in the importing country without having to finance the creation of an agency of their own.

#### C. Tolerances - soldering materials

12. The committee wonders whether the directive also implies that gold articles, for example, may be soldered with less precious metals such as tin.

Under most hallmark guarantee systems today, precious metal solders must be used. The EFTA International Convention stipulates that gold solders must comply with legal standards of fineness, and lays down the minimum permissible standard for silver solders.

13. The authorization of inferior soldering materials might well lead to the admission of articles of a quality and precious metal content considerably lower than that hitherto admitted in the majority of countries. These goods would also be less durable and more difficult to alter or repair. The committee considers that such situations could lead to sharp variations in prices between apparently identical articles, and consequence deception of the consumer, owing to concealed differences in their quality and precious metal content.

#### D. An alternative European harmonization system

14. In view of these considerations, the committee examined the desirability of possibly seeking accession to the EFTA convention which came into force in June 1975 and has been signed by Finland, Sweden, Austria and Switzerland. Some members are still in favour of this. It was also pointed out that the United Kingdom had already signed this convention on 1 June 1976.

As mentioned above, the directive accords in principle with the EFTA convention, but there are considerable differences in a number of details.

#### E. Proposed amendments

15. The committee would like to recommend the committee responsible to incorporate the following proposed amendments in its report on this draft directive:

(a) Addition to Article 4(2):

Having regard to the situation in certain Member States, the committee considers that the assay offices referred to in Article 4(2) should also be able to delegate the application of the Community hallmark to authorized manufacturers. This authorization should be granted in accordance with the legal provisions applying in each Member State for the production and marketing of goods made of precious metals under the responsibility and supervision of the respective Community assay offices. It is also proposed that the list of Community assay offices and any firms authorized by them to apply the Community hallmark should be published in the Official Journal of the European Communities, as also any changes subsequently made to this list.

(b) Fineness of articles of precious metals in Annex I

With reference to fineness, the committee feels that there should be three grades of fineness for gold and silver instead of the two proposed by the Commission.

(c) Sample of hallmark in Annex II

The committee considers that a different Community hallmark should be proposed, showing in particular the type and fineness as well as the letter 'E'. The type of metal should be mainly discernible not from the shape but from the relevant chemical symbol, i.e. Au for gold, Ag for silver or Pt for platinum.

III. Conclusion

16. The need to afford the consumer greater protection in the field of articles of precious metals should be weighed against the adverse effects this directive might have on both consumer and producer. The committee can, therefore, approve this directive only if the elements objected to above, e.g. in paragraph 8, are removed.

