

ADDRESS BY MR RICHARD BURKE
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to

EURAM 3
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MARKETING, COMMUNICATION AND PUBLICITY)
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Mr Chairman, ladies and Gentlemen,

It is a pleasure to be here at your third - and my second - EurAm Conference. To me, this Conference is yet another demonstration of the pervasive influence of advertising or, if you prefer a less pejorative term, of its global importance.

You have given me a very wide brief for this keynote address. I have been asked to speak of

- my recent views and experiences, and those of my colleagues in the EC Commission, regarding our consumer policy programme, adopted in 1975
- co-operation between the business world and our Environment and Consumer Protection Service
- comparisons between the approaches to consumer protection adopted in the US and in the EC.

I sincerely hope that I can satisfy your expectations, although I regret that I probably do not have the expertise, so evidently abundant among you here before me, to sell the satisfaction rather than the product.

Since we met at EurAm 2 last year, the development of consumer policy in the Community has gone through many twists and turns.

As far as new proposals for action deriving directly from the 1975 Programme are concerned, I would mention three draft directives which the Commission has sent to the Council.

The first one, sent at the end of March, is our proposal for a directive on misleading and unfair advertising, with which many of you are, no doubt, familiar.

The second, sent to the Council at the end of July, is a draft directive on energy labelling of domestic appliances. This was accompanied by a draft directive aimed at applying the general energy labelling rules to the specific case of electric ovens.

In addition, we have put forward amendments to the proposed directives on unit pricing, doorstep sales and correspondence courses. These amendments take account of views expressed by the European Parliament, the Economic and Social Committee, and various interested parties.

During this period also, we have devoted a considerable amount of energy to strengthening the "consumer" input into

the general policy-making procedure of the Commission . This has been the case, for example, in the field of agricultural policy ; among the other areas concerned are transport policy, and policy towards the textiles industry.

We have put a very substantial effort into our food labelling Directive, and it now seems likely that it will very shortly be adopted by the Council.

Over the whole range of policy issues we have, as you know, the advice of the Consumers' Consultative Committee to guide us as to what the balance of organized consumer opinion is on any given issue.

The climate of opinion has, in some respects, been rather difficult for consumer policy. I very often encounter the view that, while the principles of consumer protection are valid and acceptable, it is rather inappropriate to pursue their application with any kind of energy in a period of economic difficulty. The argument seems to be that consumer protection policies place new restraints or conditions on manufacturers and distributors who, when economic circumstances are difficult, cannot recoup the resultant costs from the market. Thus, the argument runs, they are obliged to restrict their level of activity and often to reduce employment. The conclusions of the argument are that,

firstly, if manufacturers succeed in recouping extra costs from the market, this is to the consumer's disadvantage, particularly in recession periods ; secondly, if costs cannot be recouped, unemployment tends to increase, so that a certain number of consumers are put in a considerably less favourable position.

I must say, in fairness, ^{this} that/line of argument does not seem to have met with support in the Commission ; neither have I seen any significant evidence of it in the Council. I do, however, hear it very frequently in my contacts with the business world.

I do not accept this argument.

In my view, the counter-argument is much stronger.

This counter-argument is very simple and obvious. It is that the consumer needs protection more than ever when economic circumstances are difficult.

When real income is under pressure from inflation, and when disposable income is under pressure from taxation, the consumer's basic need to ensure that he gets value for money becomes even more urgent. This, of course, has very clear implications for a whole series of consumer policy measures, for example :

- rules on price display
- standardization of pre-packaging
- rules on misleading advertising
- quality standards
- consumer information generally.

The basic objective of consumer protection legislation is to compensate for the imbalance in market power between producers and sellers on the one hand, and consumers on the other. This is an objective which remains valid whatever the economic circumstances of the market.

Another element to which I should like to draw your attention is the fact that the consumer movement is becoming increasingly aware of the role which it can and should play in relation to the less well-off groups in society. These are people in the lower income brackets, elderly people, and those on fixed incomes. The latter are particularly hard hit by inflation and by the fact that pensions and allowances fixed by Governments tend to be adjusted far less frequently than wages and salaries.

I congratulate the consumer movement on its increasing awareness and activity in this area. One of the consequences of this development in opinion is, of course, increased pressure for consumer protection measures, particularly those of a kind which can have

an immediate and positive impact on these groups.

On the political front, there have been some attempts to question the legitimacy of Community involvement in consumer policy. These attempts are based on the contention that the Rome Treaty does not include the powers necessary for Community institutions to act in this field. It is contended (and here I simplify a little for the sake of brevity) that Community action must be framed in the context of the operation of the common market, and that many of our consumer policy proposals have no direct effect on the functioning of this common market.

You will not be surprised to learn that I consider this to be a totally false argument.

Under the Treaty of Rome, one of the functions of the common market is to promote an accelerated raising of the standard of living. I contend that consumer policy, as we have defined it in the 1975 Programme, is intimately concerned with the standard of living.

Then we must ask : what is the common market, after all ? You, ladies and Gentlemen, are particularly well-placed and well-qualified to expound on the fact that there are two sides to a market : the buyers and the sellers. If one side is missing, there is no market.

When we look at the matter in this way, it quickly becomes clear that it is a delusion to imagine that policies which affect the conditions in which consumers act have no direct connection with the common market. Consumers are actors in the market : their activities are vital to its existence.

The Community has a considerable number of policies which affect the way in which producers and distributors carry out their business. Many of these policies aim, quite rightly, to facilitate production.

Competition policy affects both sides of the market.

Furthermore, the Commission is, as I have said, increasingly concerned to ensure that consumer interests are taken into account in the formulation of its policies.

The fact remains, however, that there are many areas of vital interest to consumers which are hardly touched by Community policy, and where Community action can make a significant contribution to consumer welfare. These are areas in which it must be ensured that the common market operates in a balanced way in order to take account of consumer interests.

I am sure that most of you here today would accept that consumption is the final end of economic activity. To me, this means that consumer policy must be a prominent element in our approach to the market.

I have a feeling that the debate on this point will continue for some time. What I have just said outlines the main elements in my thinking on this point, and I would invite you to reflect on this during your Conference.

It has been said that, in the three and a half years since its approval, our 1975 programme has not produced any results. Strictly speaking, this is true if we look at the legislative record. As with many simplifications, however, this statement misses the point. As Europeans present here will know, the Commission carries out what I would call exhaustive consultations with all the interested parties before finally approving proposals for Community legislation. This was the case, as many of you will know, with our proposal on misleading and unfair advertising.

If we look at the record of proposals produced rather than legislation adopted, we will find that the degree of activity following the adoption of the 1975 programme has been very substantial indeed. This is all the more so when we consider the small numbers of staff involved in our consumer protection directorate and the considerable number of other areas in which they have been involved.

In this connection, it should also be pointed out that the Commission's functions are those of initiative and execution. It is the Council which decides.

This brings me to the last point I want to make on our recent experiences with the consumer programme. It is that the Council has shown itself to be rather slow when it comes to the examination and adoption of proposals on consumer policy. There are a great many reasons for this, not the least of which is the fact that the degree of development of consumer legislation varies very considerably between our Member States.

It is my belief, however, that once the Council approves some of the measures proposed up to now, and works out its own mind on the arguments in favour of developing consumer policy, we will see a more rapid pace of work in this area.

We are now working on the draft for our second consumer action programme. We have not yet carried out all of the internal consultations required in the Commission, nor have we discussed our ideas in any detail with the Member States. I would think, however, that the general shape of the second programme could be defined as follows :

- continuation of the work started under the first programme in defence of consumer interests ;
- an expansion of consumer action in relation to prices generally and a deepening of our consideration of the place of services in the context of consumer policy ;
- development of a more active approach to the promotion

of consumer interests, involving greater consumer participation and, we hope, greater cooperation between producers and distributors on the one hand and consumers on the other hand.

This is really all I can say for the moment about the second programme.

I come now to the second theme on which I have been asked to speak : that is cooperation between the business world and the Environment and Consumer Protection Service.

Here I can record very significant progress. As far as your industry is concerned, I am happy to say that my contacts with European advertisers during the period since your last conference have expanded very considerably, and have taken on the character of extremely fruitful cooperation. When I think back to my experiences at EurAm 2, I consider this a very great progress indeed.

I would not for a moment pretend that European advertisers and I see eye to eye on very many issues. The fact remains, however, that we now have what I regard as a very valuable and constructive relationship, which allows us to confront our different points of view in order to put the emphasis on points of agreement rather than on point of difference. I would like here to pay tribute to Mr. Rijkens and Mr. Gilow for the very considerable personal efforts which they have made in this regard.

I would also like to thank the many national and international groups which have shown a very positive approach to the examination of the many problems we face.

This spirit of cooperative dialogue is carried through to the very frequent contacts between advertisers and the Environment and Consumer Protection Service.

While I am glad to say that this situation exists, I am equally pleased to say that my relationship with your industry is not unique in this respect. I believe that we in the Commission have built up a very satisfactory relationship with the food industry and with a number of other industries which have been particularly involved in the areas covered by the legislative proposals which we have made.

The tobacco industry is a case in point. As you know, there is a very lively debate in the Community about the effects of tobacco on health. Personally, I have a double interest in this debate, since, on the one hand, the protection of consumer health is one of my concerns, and, on the other hand, I am also responsible for Community taxation policy. On the face of it, none of this is calculated to make me very popular with the tobacco industry, but I am glad

to say that in this sector also a very useful relationship exists. This may perhaps be helped by the fact that the Commission has not yet adopted any doctrine in this matter.

The Commission has for many years had a very good working relationship with UNICE, the representative body of European industry. We have our arguments and our differences of opinion, which can sometimes be fairly sharp. Notwithstanding that, we have always been able to find solutions which, while not being satisfactory all round, nevertheless allow substantial progress to be made. I have found my contacts with UNICE's consumer affairs committee to be very useful. We have even had cases where industry, consumers and Commission have been able to agree on the necessity and urgency of certain consumer policy proposals.

On the final topic which I have been asked to address, that is the comparison between the US and EEC approaches to consumer policy, I will say very little. Our American friends present here today are much more competent than I to describe the US approach to consumer legislation.

I would, however, make the point that successive US administrations have clearly underlined the importance of the "consumer angle" by the appointment of a special Presidential advisor on consumer affairs. I know that

there are frequent and heated arguments in the US over the means to be placed at the disposal of this advisor and over consumer protection agencies generally. It seems to me, however, that the basic commitment to giving the consumer angle its proper importance is not really in doubt.

Another point which I would like to make is that there must inevitably be a difference between the approaches on the two sides of the Atlantic. In the US, there is a Federal Government structure. It is fair to say that there is a constantly shifting balance between Federal and State Governments in a number of areas of public policies. Consumer policy is one of these. It seems to me, however, that there is a fairly clear idea as to which parts of consumer protection policy are properly within the competence of Federal Government and which parts can more effectively be carried out by the States.

The situation in the European Community is rather different. We do not have a federal government. You will have inferred from some of my earlier remarks that we are still arguing about the balance between actions to be taken by the Community and those which are best carried out by the Member States. It is clear to us that there are some areas in which Community involvement is necessary in order to ensure the results we aim for. It is equally clear

that there are some areas which are inappropriate for Community intervention. We have still quite some distance to go before we can say with any confidence that we have marked out the appropriate boundaries.

It is this which most of all makes consumer policy a difficult area in the Community : at the same time it is a factor which adds not a little spice and excitement to our work.

I have come more or less to the end of my remarks. I would not like to finish without referring to the contribution which I think advertising and marketing can make to consumer welfare. Some of you have heard me justifying the Commission's proposal on misleading and unfair advertising. Those who have will be aware that I do not take the view that all advertising is misleading - far from it. Some time ago, I had the pleasure of meeting the head of one of the world's largest advertising agencies, and he assured me that the advertising industry was placing much emphasis on its social responsibility. I find this most encouraging. I believe that we can foresee the possibility of using the many skills of advertising and marketing people in ways which can increase consumer welfare, and I am happy to say that a number of offers to this effect have already been made. I hope to take advantage of them.

It remains for me now simply to wish you a successful Conference. I am sure that it will be so, and that you will benefit from the interplay of ideas and traditions which Conferences like this are designed to stimulate. I hope that my remarks will have been useful in opening up your work.