

Report from the Euro Working Group for the Consumer Committee

Note

The Consumer Committee is a consultative committee of the Commission, in charge of representing the interests of the consumers at the Commission and giving advice on all problems relating to the conception and the setting up of a policy and actions in the field of the protection and information of consumers, either at the request of the Commission, or on its own initiative. The opinions of the Consumer Committee do not reflect those of the Commission nor of its' services.

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INTRODUCTION

The Euro Working Group of the Consumer Committee has examined the conditions which today seem necessary to ensure a smooth transition to the single currency. After organising a hearing with the players involved (see annex), consumers' concerns and difficulties were examined in order to find appropriate solutions.

How can we manage to support consumers during the changeover to the euro?

A currency is a powerful symbol of adherence to one and the same political, economic and social entity. To ensure that everyone gets their due, it is necessary to create the conditions for ensuring that the euro is accepted by everyone.

The recommendations of the Euro Working Group belong in this setting.

The Euro Working Group, which sprang from the consumers' associations in the European Union and the European Association of the Blind, has carried out a task which is at once collective and forward-looking. Our analysis and recommendations reflect – and have been enriched by – the various approaches that exist in the Union.

The coming changeover to the single currency is a historically unique phenomenon. A certain number of points have not been fully clarified, and besides there are uncertainties as to the decisions concerning the practical procedures for introducing the euro. Planning for the future is always an adventure, no matter how rational the grounds on which it is based.

This is why it is desirable that the Euro Working Group should continue its work in future and adapt its hypotheses and proposals in line with developments.

SECTION 1: FOR AN OPTIMUM TRANSITION TO THE SINGLE CURRENCY

I. Information

1. *The need to inform*

1.1 Information to improve acceptance of the euro by consumers

We must design and promote euro information programmes in order to help ensure that consumers play their proper role in building Europe.

This information must alert them to the political, social and economic implications of the introduction of the euro.

Consumer information should tell consumers about the practical procedures for introducing the euro and the consequences (or non-consequences) of this change. Their attention must be drawn to potential problem areas where vigilance is required.

Thus, information targeted at consumers has two objectives:

- a “learning” objective: develop training tools to ensure widespread acceptance and ease the transition;

- a transparency objective to inform people about the practical arrangements, so as to ensure that there are no misunderstandings as to the manner and consequences of the Euro’s introduction in accordance with the various stages of the timetable.

These two objectives should pave the way to a more general goal: encourage and facilitate the introduction of the euro for everybody by creating a genuine “climate of trust” around the single currency, this trust inevitably being based on knowledge, understanding and actual practice.

1.2 Inform people as of now

The rendezvous with the euro is now little over a year away! So we must start right now to familiarise people with the euro and to provide straight answers to consumer questions.

This should allow us to clear the information backlog, at least in part.

The objective of “transparency” must be combined with that of “learning”.

2. *The case for customised information*

2.1 Consumers – a very diversified population

There is no standard issue consumer. This means that we must design a typology of consumers based on their needs for information as regards the transition to the euro. In this connection certain fundamental differentiation criteria must be borne in mind.

Two of the most important ones are (a) the current level of information about the euro, and (b) attitudes to the euro.

As regard the current level of information, there are two groups:

(i) those who have already got information from institutions and the national media, mainly the press (certain dailies and a number of specialist reviews) and

(ii) all the others – certainly the majority of consumers – who have not had access to this information, which to date is still “elitist”.

The second criterion discriminates between those, who for various reasons, welcome the introduction of the euro and others who have certain misgivings about the project.

There are also a number of socio-economic criteria – age, social and cultural characteristics, and type of job.

As regards age, various groups can be distinguished. The most characteristic groups are certainly the extreme age cohorts. For young people, we must ensure that their money of

education is the euro. Their adhesion and acceptance of the euro may also have a multiplier effect in their family environment. For the oldest age cohorts, it is unlikely that the euro will ever totally replace the currency they were brought up with. Hence, they must be provided with information which will take into account the deeprootedness of their national currency and their monetary benchmark. Indeed, these roots will be all the stronger considering the relatively small number of monetary transactions in front of them. Finally, there is the bulk of the population between these two extreme age cohorts, where a differentiated approach will be required as a function of other criteria.

The social and cultural environment is important and in large measure colours peoples' attitudes to the euro. There are those who are aware of the full impact of the single currency both for themselves and as regards its macro-economic and macro-social implications, while there are others who are not naturally curious about the euro or who are sceptical about this change. In terms of information the first group is likely to help itself, while the second group will need to be actively informed.

A person's job also matters, since it may affect the individual's need to use the euro. Some people travel more for professional reasons and may thus have a natural interest in the euro. Moreover, they will be used to handling different currencies and switching from one to the other. This applies in particular to immigrants and frontier workers. Some people will need to use the euro more than others and so the information to be provided, notably over time, must be tailored to their specific needs.

This list of criteria is not exhaustive but it gives an initial picture of the total population of consumers. A refined analysis will involve cross-linking the different criteria to pinpoint information needs.

Finally, besides the socio-economic criteria there are other particular groups whose special information needs must be accommodated. This applies mainly to people with reading and writing difficulties on the one hand and to the blind and visually impaired on the other, who will need specific and customised information.

2.2 Proximate information

There is a large diversity of "targets" to be achieved. To meet specific needs for specific target groups, bespoke information must be provided in all cases. This information must be differentiated on the basis of at least three dimensions:

- The information provided to a particular group must match its socio-economic and cultural characteristics. These characteristics mirror the criteria we have listed in constructing a typology of consumers. In other words, each consumer cohort must be provided with the information that corresponds to its situation.
- This information must also provide answers to the questions of the day. Since the euro is being introduced progressively, these questions will change over time. The various stages leading to the introduction of the euro have specific implications for the way we conduct transactions. The information must be adapted as a function of the timetable's development. Moreover, the method and the "euro apprenticeship" period will vary depending on the category of consumers addressed. Besides the official timetable, everyone will make their own transition to the euro in accordance with their needs. This has to be taken into account if we are to provide people with the right information at the right time.
- Finally, the information must be provided locally, there where the consumers are. This spatial proximity is the surest way of bringing the message home. This notion is probably more critical right now, where the emphasis is on developing information measures of the "euro apprenticeship" type. The information must be actively imparted to consumers. Consumers should not be obliged to seek it out themselves, since

otherwise we run the risk that only the part of the population most aware of the euro will be reached, i.e. those who are the easiest to inform anyhow.

These three dimensions can be subsumed under the notion of proximity. The information must be proximate, i.e. close to each individual's characteristics, close to the questions of the day, close to the consumer's home and workplace. So this proximity is at once cultural, temporal and spatial.

3. *Who informs whom?*

3.1 Proximate players for proximate information

The information must be close to the consumer in the three senses we have mentioned: cultural, temporal, and spatial. Besides, the information providers must also be close to the consumer and respect these three dimensions.

So a raft of players must be involved in providing this information, each representing a particular category or a particular aspect of the categories concerned, because everyone has their own focus of interest.

Thus, consumers must be provided with institutional information, initiated at Community or national level, to be imparted in parallel with information disseminated by professional organisations, by organisations of users, consumers, women, the elderly, or again by the media and specialist reviews. Likewise, the education system is an ideal locus for informing young people. This is the main way of ensuring that at least the first dimension of proximity – cultural proximity – is respected.

The players need to have an intimate knowledge of consumers' local concerns – and so they must create a decentralised structure, relying on relays, or draw on whatever structures already exist. This will ensure the flow of information towards consumers, by installing a direct intermediary who is as near to them as possible. Hence the associations have an important role to play, notably the consumer associations, who know most about consumers' questions and concerns. They should be funded to this end.

2 Complementarity is a must

Everyone has a role to play in achieving all the "targets". Recognising everyone's specific role is important with an eye to creating synergy and developing complementarity.

To have maximum effect this plurality of roles must be channelled through a structured and organised system.

Certain information measures which the players may propose are tasks freely assumed and reflect their personal engagement in the voluntary sector or in a competitive setting. But in certain circumstances and for certain particular measures a minimum of co-operation and concertation is in order.

This coordination should ensure maximum coverage of information needs both in a qualitative and quantitative sense. Too much information can be self-defeating: it is better to encourage the large-scale dissemination of an identical quality product rather than a confusion of products promoting the same idea. This means that the individual initiatives should be centralised and examined with an eye to unifying them in order to optimise their complementarity and impact. These products could then be tested by focus groups with a view to selecting the best ones and to encouraging their wide-scale dissemination by the involving players concerned.

This coordination also involves the creation, in all the Member States, of points at which all the information resources on the euro will be inventoried. Likewise, coordination between the different consumer associations at European level would be desirable.

Finally, in the same spirit, the creation of databases would make it possible to have real-time access to exhaustive information on the available products. This data, which could be consulted via catalogue, telephone, e-mail or the Internet would be available to all the relays and multipliers both at national and Community level.

4. Information using what means?

Two things must be understood: the means of information are primarily the supports used to transmit the information. But these means are also the vectors carrying these supports to bring them as close as possible to the consumer.

4.1 The information supports

Everything must be done to ensure that the players remain as close as possible to the consumers.

At least three levels of information requiring suitable supports must be distinguished. The first level focuses on disseminating basic information on the highlights and practical modalities of the introduction of the euro. This initial level can be based on brochures or cartoons for the youngest age groups, information letters, articles in magazines, etc. The advantage of paper support is that it can be used universally (or almost so), which makes it possible to guide the information to the addressee and also to store it and use it as a reference. But one might also consider other supports such as audiovisual material. This level could also be established at Community level.

However, taken alone this type of information is not enough. It must go hand in hand with the organisation of meetings, seminars or indeed conferences opening the way to a dialogue between all the players involved in the introduction of the euro, including consumers. Actions of this type require particular supports which must be available at these meetings. Creating a dialogue is the first step to familiarising ordinary people with the single currency.

But the supports used to disseminate the information must also give pride of place to “active pedagogy” - in other words, learning by doing. This can take the form of educational games, the development of local pilot projects, dual labelling and practice with the euro (on the basis of pilot programmes of this type that have already been conducted in certain countries) or again the use of multimedia supports (CD-ROM or interactive CD), which make it possible to intermix several of the levels presented here. And why not consider creating TV games on the euro, or organising certain national lotteries using the Euro?

Finally, these various types of supports should be matched with the target groups concerned, particularly as regards the visually impaired and the illiterate.

4.2 The vectors of dissemination

One of the three dimensions of proximity is spatial proximity. Thus the information must be provided to consumers right where they are. To this end, we must consider two forms of dissemination: one which makes the information available and one which guides the information to the addressee.

In the first case, all the players must be mobilised who, in various ways, constitute points where consumers congregate – town halls, and more generally the local authorities, public administrations and all the state’s local services, social centres or yet again voluntary associations. As mentioned above, these players can provide information products that they themselves have prepared, as well as general products defined and designed upstream. Schools should make a particular drive not only to relay information but also to initiate schoolchildren to the euro by taking active measures, so that the euro will become for young people a genuine currency of education.

To bring the information to the addressee, we will have to draw on existing channels such as official mail, which could also be accompanied by letters or information brochures on the euro. The voluntary associations should be urged to contact their members. Firms also have a role to play in informing their employees.

Besides their usual mode of dissemination, the media should be encouraged to exploit the information technologies at their disposal.

Where information is concerned, the transition to the euro poses a genuine challenge. Now that the information society has become a household word we must exploit its full potential and see to it that, with the aid of these new technologies, the information will become as universal as it deserves to be. One might consider creating observatories to collect data and coordinate and disseminate information.

When the time comes everyone will have to make the transition to the euro. It is in the general interest that the transition should take place as smoothly as possible. In this sense, information is indispensable.

5. Why dual indication of values?

5.1 The euro – a change in the monetary metric

In our everyday transactions, the currency is our standard of value. This standard is largely implicit and evolves gradually over time. The transition to the euro is mainly seen as a moment when consumers will be deprived of their metric for assessing the value of income, goods and services.

To progressively recreate this standard, at least three conditions must be met: consumers must be made familiar with the use of the Euro; they must grow used to the new orders of magnitude; it must be made clear that the values remain unchanged, whether they are expressed in national currency or in euros.

5.2 The dual indication of values as a way of reconstructing this metric

If price marking in euros is introduced overnight, doubts are sure to persist.

This is why dual indication of values is so important. It meets the three conditions mentioned above. The indication of values both in the national currency and the euro will give everyone a chance to become familiar with this new currency, at their own pace. This will be an opportunity for everyone to reconstruct their points of reference and to realise, after the disappearance of the national currencies, that prices have remained stable or, at least, that they have evolved normally or for good reason.

Additional arguments for this approach are provided by a number of dual pricing experiments already conducted in certain retail stores, which went down very well with consumers. If there are fears and misgivings as regards the euro, there is also a great deal of curiosity.

II. Practical aspects

1. Why dual indication for at least one year?

1.1 Cover a year's household budget management

The dual indication of values should enable consumers to switch progressively to the euro. This new currency must become a part of consumers' everyday life so that they will become immersed in a euro environment. Just like studying a foreign language, this immersion must be total in order to optimise the learning process.

To this end, we must examine all the items in the household budget and apply to them the dual indication of values.

In order to cover all these items, dual indication must last for at least a year. Indeed for certain invoices it would be best to start dual indication as from 1999.

Dual indication must be continued after introduction of the new legal tender for at least six months, as a flanking measure for consumers.

1.2 Cover all the items in the household budget

The various items in the household budget do not have the same frequency. Certain operations recur annually, for example taxes or the calculation of social benefits, while other may be six-monthly or quarterly (such as certain invoices connected with housing) or even monthly (such as wages, rent, bank statements, insurance premiums, loan instalments). Other items in this budget are of irregular frequency. This applies to transport, health, leisure activities, clothing and household appliances. Finally, certain specific operations may occur only once every few years (taking out certain insurance policies, certain financial operations).

Thus, to be certain that all these operations are included in the period of dual indication of values, this period must be a year at least.

1.3 A flanking period for consumers

If dual indication should start at least one year before the introduction of the euro coins and notes, it must also be continued after that date as a flanking measure for consumers after the introduction of the legal tender.

This flanking period is required for at least two reasons:

- the need to reassure consumers and win their confidence by retaining indications in national currency for a certain time;
- the need to facilitate monitoring of price stability during the changeover.

This flanking period should not be too long but a period of at least six months would appear necessary.

2. What practical procedures apply to the dual indication of values?

Very broadly, at a minimum the final amount to be paid must be indicated in the two currencies.

How will this principle work out in practice with regard to the different budget headings listed above?

2.1 A major effort as regards incomings

Firstly, particular attention must be paid to incomings. In consumers' eyes they have a symbolic value: they represent the extent of their wealth and are therefore part and parcel of consumers' scale of value. Thus, given the psychological importance which incomings have for consumers, it would certainly be preferable – as is recommended in the section on the public administration – for the dual indication of values to begin as from 1 January 1999 and for the authorities to prepare to offer this service to consumers.

Moreover, these incomings affect future events. Revenue in a given year may have direct repercussions on the following year's budget (payment of benefits and payment of taxes). Hence, the dual indication of incomings should ideally start at least one year before introducing dual indication in general, viz. 1 January 2000 at the latest. For 2001, this would enable consumers to declare their incomings in euros and calculate their benefits and taxes in euros.

2.2 Taxes and social benefits

As regards taxes and social benefits, a distinction must be made between (a) tax returns to be completed by private individuals and (b) the amounts payable by or owing to them as notified to them by the responsible authorities.

In the first case, since taxpayers will know their incomings in 2000 in national currency and in euros, it will be relatively easy to complete tax returns in both currencies as from 2001.

In the second case, it is up to the responsible authority to provide consumers with statements in which the total amount is denominated both in the national currency and in euros.

2.3 Current expenditure

In the case of housing and associated expenditure there should be dual indication of the total amounts to be paid.

As regards everyday expenditure, here too dual indication is indispensable. Its objective is primarily to familiarise consumers with the euro and its scale of value, which differs to a greater or lesser extent from that of the national currency. Consumers must also be motivated to use this new currency. It is through regular contact over as wide as possible a range of products and services that this objective will be achieved. Thus dual pricing should not be restricted to staple products and typical services.

For these categories, dual indication should exclusively concern the total to be paid and could last one year straddling the date of introduction of the euro notes and coins, i.e. six months before and six months after (see the section on trade). A particular effort must be made in the case of high frequency purchases where consumers are very price-conscious (such as petrol). Here, dual pricing should be the rule as from 1999.

2.4 Financial operations

Miscellaneous operations in the field of insurance or banking have one distinctive feature. Just like incomings in the course of the year, these miscellaneous transactions have an impact on future operations. Certain insurance policies or financial investments will have been made before the advent of the euro but will still be operative after its introduction. Hence it might be a good thing to provide that as from 1999, i.e. the date on which the rates of conversion between national currencies and the euro will be frozen, prices in contracts should be indicated both in the old currencies and in euros. This would give consumers a guarantee of long-term certainty, notably as regards the continuity of contracts. Moreover, contracts signed before 1999 should indicate that the euro will in no way affect their content.

Bank statements and cashpoint vouchers should also have dual indication.

In all these cases, dual indication for this type of operation should respect the general principles set out above: at a minimum, display in euros of the total amount of the operation, whether it is a bank statement concerning a specific operation or a cashpoint voucher. Here – and even if because of the conversion rates the amounts in national currency that can be withdrawn from cashpoints do not correspond to the different face values of the euro notes – it would nevertheless be advisable to display the two values on screen, i.e. besides the amount to be withdrawn, a display the equivalent value in euros. Besides, consumers who wish to do so should be free to open a bank account in euros or, at any rate, to conduct monetary transactions in euros.

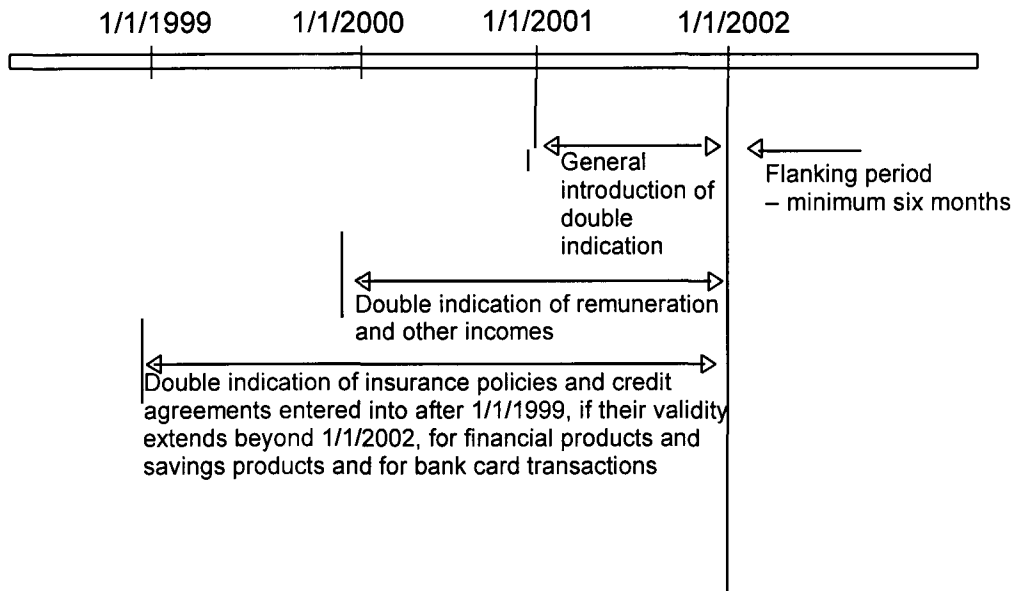
2.5 Some particular requirements

As noted, different household budget items do not have the same frequency. Some recur so rarely (one or two operations each year) that it would be best in such cases for the dual indication of values to start as from 1 January 1999. This applies in particular to certain invoices (electricity, gas, water) and also to insurance premiums. In the case of invoices sent out by these big utilities, if the total amount payable is indicated in euros, so should the base price (litres, kW/h or m³ as the case may be).

Likewise, as from 1 January 1999, traders may theoretically accept payments in Euro. Those who do so should be obliged to display the two sets of prices on their products (cf the section on trade).

Key to graphic on 15 of original text	
Original text	Translation
Double affichage pour le commerce de détail	Dual labelling for the retail trade

DOUBLE INDICATION: Timetable



Note: Before 2002 the individual items are indicated in the national currency, and only the total in euros. As from 2002, the reverse applies.

3. *Date for introducing euro banknotes and coins*

Although the date for the introduction of euro banknotes and coins marks the start of the period of dual circulation of currencies, it does not necessarily mark the end of the transitional period (defined by the Article 109 L(4) Regulation as the period starting on 1 January 1999 and ending on 31 December 2001). In fact, euro banknotes and coins may be introduced during the transitional period. Also to be borne in mind is the fundamental principle of “no compulsion, no prohibition” (Article 8 of the 109 L(4) Regulation) which applies during the transitional period, i.e. from 1 January 1999 to 31 December 2001. This has very important implications which are discussed below.

The date of 1 January (2002) for introducing the euro in its physical form undoubtedly has a symbolic value. From a practical point of view, however, the appropriateness of this date is increasingly being questioned:

- It is a very busy period for the trade and distributive sectors, coming just after the holidays with shops being in the middle of inventories, without the time to train their personnel adequately.
- The last few weeks before the introduction of euro banknotes and coins are when information will (or should) be most effective. The end of the year is a time when the

consumer is inundated with information of all kinds. The “Euro” campaign would risk being swamped by others and failing in its aim.

- The money supply in cash form (the “M1” aggregate) rises considerably during this period, up to four times the amount during a “calm” period (in February and October). Regarding the “feasibility” of 15 February 2001, account needs to be taken of technical constraints, particularly the availability of a sufficient quantity of coins. There may also be some reservations regarding the progress of certain administrations and SMEs in adapting to the euro. Even though 15 February 2001 would be preferred by the consumer associations, a date during October 2001 thus appears to be more realistic from a practical standpoint.

In conclusion:

1. Although the consumer associations have no fixed preference for one date over another, a clear position has emerged
 - against January 1st of whatever year
 - for a somewhat shorter Phase B
 - for a calm period for the introduction of euro banknotes and coins.
2. Article 8.3 of the draft 109 L(4) Regulation (“no compulsion - no prohibition” principle) should apply from 1 January 1999 until the entry into force of Phase C.
4. *The period of dual circulation*

4.1 A common date?

The 109 L(4) Regulation (Article 15) allows the participating Member States to determine themselves the duration of the period of dual circulation. Although the “financial habits” of the various economic agents (proportion of cash in the total money supply) may differ from one country to another, the appropriateness of the principle of subsidiarity in this matter may be questioned. In fact, the consequences of differences in “timing” between the states may be far from negligible. For example, some consumers abroad might incur additional expense through accepting old coins and banknotes that are no longer legal tender.

It would thus be desirable to harmonise or at least coordinate at Community level the dates for the definitive withdrawal of old banknotes and coins. (For example, some countries could opt for a short period of dual circulation ending on date X, with others going for a long period ending on date Y – this would avoid the confusion of having a whole range of possibilities.)

4.2 How long?

There are a number of arguments and constraints relevant to the discussion:

a) Current state of the rules

As regards non-cash payments, these may be in national currency (e.g. in Belgian francs) or in euros from 1 January 1999 up to the end of the transitional period on 31 December 2001. On this date, all legal instruments (contracts, denominations, etc.) will be switched to euros if they have not been already. In order to illustrate the foreseeable difficulties, we have devised four scenarios for the period of dual circulation for national currencies and euros.

First scenario. The Madrid scenario is taken “as is” with the “up to” qualifications left out in the description of the timetable for the changeover. The period of dual circulation is six months. The two drawbacks of this scenario are the date of introduction (see above) and the length of this period. No-one can refuse a cash payment in national currency or in euros during this period, since both are legal tender. The risks of error or fraud are very high over such a long period.

Second scenario. euro banknotes and coins are introduced on 1 October 2001 and the period of dual circulation is limited to a changeover period of two months, ending on 1 December 2001, i.e. before the holiday period. However, if this scenario is adopted, Article 15 of draft Regulation 109 L 4 will have to be modified, since as it stands it authorises Member States to adopt provisions for the use and withdrawal of the old notes and coins only at the end of the transition period (i.e. as from 1 January 2002).

Third scenario. euro banknotes and coins are introduced on 1 October 2001 and the period of dual circulation is restricted to a changeover period of three months, ending on 31 December 2001. This date coincides with the end of the transitional period. As the rules currently stand, this solution has the merit of being simple, since this date would mark the end of the coexistence of the euro and old currencies in both cash and non-cash terms. From a practical point of view, however, it would be more prudent to avoid coexistence between national currencies and euros in the form of cash during the holiday periods.

Fourth scenario. The Madrid scenario is amended so that banknotes and coins are introduced after 1 January 2002, and more particularly during the calm period of mid-February 2002. This date is often proposed by the representatives of the distributive trades.

In this scenario, introduction of the euro in the form of coins and banknotes takes place sometime after the non-cash changeover to the euro. Between 1 January and 14 February 2002, cash payments in euros are not possible, while it is not possible to make electronic or non-cash payments in national currency. This hybrid situation in effect leads to a period of dual circulation *avant la lettre*. The means of payment (cash or non-cash) determines the currency in which the transaction takes place. Dual labelling in euros and national currency is more essential than ever.

b) Function of the dual circulation period

However, to hope that this period would give consumers the opportunity to familiarise themselves with the new money values would be a mistake. Introducing two difficulties at the same time must be avoided: familiarisation with the physical appearance of the new banknotes and coins on the one hand and the learning of new money values on the other. All categories of consumers need to be informed of the new money values during the transitional period through a variety of sources (in particular dual labelling). Hence we believe that a period of three months should be sufficient.

c) Confusion caused by the co-existence of coins

For both shops (tills) and our wallets, this situation clearly is highly conducive to confusion and will increase costs and the risks of error, even fraud. Certain less scrupulous people will doubtless attempt, for example, to pass off 100-escudo coins (value: 1.2 euro) as 2 euro coins. Particular attention therefore needs to be given to information during the period of dual circulation. It is likewise essential to draw attention now to the source of confusion linked to the resemblance of the new and old coins. It would be necessary to produce posters showing all the new euro coins and, for each one, all the foreign currency coins that might be confused with them (for example: the 2 euro and 100-escudo coins or the 10 (euro) cent and BEF 50 coins).

4.3 How is change to be given during the period of dual circulation?

Both retailers and wholesalers often emphasise the cost incurred by a dual-till system. We do not see any disadvantage if change is given in euros from the first day of the introduction of euro banknotes and coins, even where consumers pay in national currency

– provided that the purchase slip clearly indicates the operation performed and the equivalence of the change given.

This measure would speed up the definitive changeover to the exclusive use of the euro, with shopkeepers here acting somewhat as bankers. However there is a problem as regards small sums of less than one cent.

5. *The problem of rounding*

In defining the basic rules for conversion and rounding, Articles 4 and 5 of Regulation 235 attempt to provide a simple answer to sometimes complex questions. However, not all the problems seem to be resolved. In fact, a number of problems have already been identified, but there is still no clear answer forthcoming as to how to solve them or at least treat them in a uniform and consistent manner in legislation. The need to inform consumers of possible disparities and errors related to conversion and rounding of amounts when switching to the euro also needs to be emphasised.

5.1 Summing errors: the conversion of a sum is not always equal to the sum of the rounded amounts

Example:

Bill:	Unit price	BEF 100 or 2.59 euro
	<u>VAT 21%</u>	<u>BEF 21 or 0.54 euro</u>
	Total	BEF 121 or 3.13 euro

(but BEF 121 = 3.14 euro).

This is a familiar problem which is unavoidable and occurs where the law of large numbers does not apply: multiplication of a single amount, small number of different amounts. The maximum disparity is the number of items to be added (or multiplications of a single amount) multiplied by half of the smallest monetary sub-unit of the currency in question. As there is no mathematical solution for avoiding this problem, it needs to be handled in a clear, uniform and consistent fashion in all its ramifications.

Professionals could thus be required to indicate what is the legal tender and which is shown for information purposes in the prices displayed. The total of the legal tender (e.g. BEF) will be converted into the other currency (e.g. the euro) if the customer wishes to use the latter for payments. In no case should it be left to the professional to decide as he sees fit which currency is legal tender: he might otherwise systematically choose the most favourable one for him for conversion purposes.

5.2 Problems of reconversion (via the euro)

The intrinsic value of the smallest monetary unit (or sub-unit) differs from one currency to another. Certain currencies permit prices to be set more precisely than others. For example, the euro cent (1/100) will be less “precise” than the French centime (1/100). This difference in precision is also unavoidable. A mathematical or technical solution for this problem thus cannot be expected. Again, it needs to be approached with uniform rules to ensure that no party is placed at a systematic disadvantage.

5.3 Avoiding errors and gaps in the legislation

The changeover to the euro must be prevented from causing a host of minor legal problems:

- sending out reminders for bills because of one cent lost due to rounding, for example;
- roundings of thresholds and maxima (excess, tax scales, savings):

example: thresholds by tranches:

from 0 to 99.999 BEF or 0 to 2592.92 euro: procedure A

from 100 000 to 199 999 BEF or from 2592.54 to 5185.86 euro:
procedure B.

In this example, the amount 2592.93 euros would be undefined.

6. *The continuity of contracts*

6.1 **The problem**

The added value of the principle of the continuity of contracts, as enshrined in Article 3 (second sentence) of the Regulation (EC) on certain provisions relating to the introduction of the euro, could pose major problems in the context of consumer relations. Article 3 of Regulation No 1103/97 of 17.06.97: "The introduction of the euro shall not have the effect of altering any term of a legal instrument or of discharging or excusing performance under any legal instrument, nor give a party the right unilaterally to alter or terminate such an instrument. This provision is subject to anything which parties may have agreed."

The point is that the principle of the parties' contractual freedom it illustrates cannot be fully applied to consumer contracts because of the imbalance between the contracting parties. Recognising contractual freedom in full would in practice be tantamount to recognising the untrammelled freedom of the professional to do as he pleases. Both Community and national legislators have repeatedly taken measures – some of them quite extensive – to limit contractual freedom with a view to protecting consumers in particular and to redressing the balance to some extent where contractual rights and obligations are concerned. Calling this freedom into question is not therefore a new departure but is part and parcel of a long-established policy that recognises the need to protect consumers against the risk of abuse of contractual freedom by professionals. With the introduction of the euro, recognition of the parties' contractual freedom could have the following consequences for ongoing contracts:

- at the time of transition, or afterwards, the parties jointly decide to renegotiate the contract, or to terminate it; this option should be kept open;
- at the time of transition, the professional relies on a term in the contract which allows him to unilaterally terminate the contract or to alter the conditions.

The second possibility could give rise to obvious abuses.

At the time of transition to the euro, consumers are liable to have three types of terms invoked against them:

a term containing a reference to the euro: a contractual term which expressly allows the professional to terminate the contract or to alter its conditions, notably the financial ones, at the time of transition to the euro;

a term concerning termination linked to an event: "The firm may terminate the contract, in full or in part, by registered letter ... should there be a change in the circumstances underlying the contract."; or "The amounts in question and, consequently, the premium shall be adjusted annually at the due date in line with the ratio between the ABEX index at the due date and the index applicable at the time of conclusion of the contract...". The question then arises as to whether transition to the euro can be interpreted by the parties as a change in the circumstances underlying the contract, or again whether the reference indices will be modified, with repercussions on prices.

a term concerning alteration or termination of the contract: "The bank reserves the right to alter these general conditions at any time by written communication ..." or "... reserves the right to terminate this insurance policy on 1 June each year,

provided this decision is communicated before 1 March". Since no justification must be furnished by the professional, he is free to alter or terminate the contract as he deems fit.

Since the transition to the euro itself will oblige consumers to make a big effort to adapt, the least that can be done is to provide them with a reliable legal framework.

6.2 The principle

The Working Group has therefore unanimously come out in favour of enshrining the absolute nature of the continuity of ongoing consumer contracts: the introduction of the euro may not be invoked by the professional party to apply a unilateral term terminating the contract or a unilateral term altering the conditions of the contract.

6.3 Enshrining this principle in the Regulation itself

The imperative nature of the principle of the continuity of consumer contracts must be enshrined in the Regulation itself, which, on the one hand, affirms the principle of the continuity of contracts and, on the other, generally confirms the added value of this principle.

This approach is necessary for the following reasons:

- legal certainty requires an integrated approach to the problem of transition to the euro: the principles, their exceptions, and, where appropriate, exceptions to the exceptions, must be addressed in a single text so that economic agents can swiftly and conveniently gauge the scope of the obligations incumbent on them as a result of the introduction of the euro; in the absence of legal certainty, the risk of conflicting interpretations means an increased likelihood of resort to litigation. But experience shows that litigation resulting from legal uncertainty is generally prejudicial to the consumer.
- the preparation of an independent text specific to the introduction of the euro as regards dealings with consumers, while it may partly be justified as regards issues such as dual price indication or the circulation of two sets of coins and banknotes, poses major problems in regard to the temporal scope of the principle of continuity. The Regulation enshrines contractual freedom: thus contracts may include terms of alteration or termination linked to the introduction of the euro. Could the "consumer" text adopted later have retroactive effect on contracts already concluded?
- Reference to the legislation on unfair terms is in no way sufficient or satisfactory for numerous reasons, notably the following:
 - Directive 93/13/EEC on unfair terms does not concern terms that reflect mandatory statutory or regulatory provisions: thus, the very inclusion of contractual freedom in Article 3 of the Regulation would ipso facto legitimise terms permitting the unilateral alteration or termination of the contract, although certain courts might consider such terms as unfair;
 - Directive 93/13/EEC does not apply to terms governing the definition of the main subject-matter of the contract, and hence the price;
 - The annex to Directive 93/13/EEC, while it presumes unilateral terms of termination and alteration to be unfair under certain conditions, in large measure exempts the financial sector from this presumption;
 - Directive 93/13/EEC is an instrument of minimum harmonisation, which means that national legislators may adopt more restrictive provisions: the status of terms of termination and alteration therefore varies considerably from one Member State to another. However, the euro cannot be introduced in the absence of common foundations and a stable legal environment;

- Consumers have to take legal action to exercise the rights enshrined in the legislation on unfair terms. The great latitude that courts have in assessing and interpreting the law in this area works against legal certainty, which is one of the priorities in preparing the transition to the euro.

Such an integrated approach is justified by existing practice, whereby derogations designed to protect consumers are integrated into the general texts. Several texts provide for derogations designed to protect consumers – specific provisions which derogate from the general scheme in the case of consumer contracts. Examples include the 1980 Rome Convention on the law applicable to contractual obligations and the Brussels Convention on the mutual recognition and enforcement of judgments in civil and commercial matters. The instruments in the field of non-life insurance distinguish between large risks and mass risks in regard to contractual freedom. The Community institutions, in their work in the field of telecommunications and postal services, have in particular developed the notion of a universal service, with a view to protecting certain categories of private users.

Such an integrated approach is possible and we propose the following wording of Article 3:

1. The introduction of the euro shall not have the effect of altering any terms of a legal instrument or of discharging or excusing performance under any legal instrument, nor give a party the right unilaterally to alter or terminate a legal instrument.
2. Paragraph 1 shall be subject to anything which the parties have agreed. However, terms contained in legal instruments concluded with consumers which stipulate or allow for the stipulation of a right to terminate the contract at the professional's initiative or the possibility of imposing obligations on the consumer or limiting the obligations of the other parties cannot be invoked in direct or indirect connection with the introduction of the euro.

In this connection the Euro Working Group very much deplores the fact that the representatives of consumer interests were consulted at so late a stage on a dossier which is progressing very rapidly and which also has far-reaching implications for European consumers.

The Working Group considers that if it had been consulted at an earlier stage it would have been able to alert those who are currently negotiating the principles and drafting the proposal for a Regulation to the specific difficulties for consumers posed by enshrining contractual freedom as regards the continuity of the terms of the contract at the time of transition to the euro.

III. Monitoring the changeover to the euro: avoiding abuses

Surveys carried out following decimalisation in the United Kingdom in 1971 show that 80% of the population felt that prices had increased following the reform. More generally, it is to be expected that a significant proportion of the population fears price rises following the changeover to the euro. It goes without saying that these people must be reassured about possible irregularities. However, the radical solution of freezing prices cannot be adopted since, in a number of countries this is no longer tolerated in the spirit of the law governing the freedom to set prices. But consumer representatives have suggested that a price observatory be established during the period of changeover to the euro. At present there is no effective administrative monitoring of problems, nor are there the resources to act against excessive price rises.

1. Protecting and convincing consumers

For all these reasons, the Working Party insists on two points: transparency and guarantees

1.1 Transparency?

The call for transparency is all the more justified in that consumers and business have different perspectives and resources. That is why we want clarity as regards the investments the euro will involve.

We realise that this demand may remain a dead letter if consumers' representatives and of the staff of the enterprises concerned are not in a position to make estimates. Everyone must have the means to judge for himself. This could mean the establishment of an observatory of the changeover to the euro, whose role could be to:

- observe prices
- identify general difficulties
- collect and disseminate information
- help resolve disputes out of court through national mediation

In this observatory, all the players concerned should be represented.

1.2 Guarantees for consumers?

The Working Party urges a debate in the Committee, both to support consumers' demands not to have to bear costs which they did not incur, and to affirm the need for transparency.

These two demands go hand in hand: the purpose of calling for clarity is not to prepare for sharing the costs "fairly" between consumers and professionals, but rather to counter the alarmist campaigns about the "costs" and to back up our refusal to pay, while drawing up proposals urging the various sectors that have long been championing these changes to assume their responsibilities for funding. The consumers' associations, in any event, are willing to play their full part during this transitional period of the changeover to the euro on behalf of those they represent....

IV. COSTS

If there is one aspect of the changeover to the euro which has been a bone of contention, it is the costs of the operation. This point is raised by all concerned, be they institutional or professional players or consumers' associations. It is omnipresent at both national and European levels.

There is not one article or study which fails to address this subject, most often in peremptory fashion on the basis of unsubstantiated estimates or of calculations which cannot yet be verified. If the arguments vary, one common thread can be discerned - and this was confirmed in the hearings conducted by our Working Party among the "professionals" -- namely that the costs of the changeover to the euro should have "logical" and "inevitable" consequences for consumers.

After seven months of consultations and activity in the Working Party set up by the Consumer Committee in Brussels, the position adopted is as follows: consumers refuse to be automatically landed with the costs of the changeover to the euro.

The Working Party's remit is obviously to consider the hows rather than the whys of the changeover to the euro. Having noted the problems involved in the transition to the single currency, we must consider how this changeover should be carried out in order to make it as acceptable as possible for consumers and to obtain ironclad guarantees that their interests will be protected.

1. *"Costs", investment and benefits*

The various professional circles have been working on these future changes for months, if not years. However, it is hard, if not impossible, to obtain a serious and credible estimate of the overall net cost of the changeover to the euro, while there is almost complete silence about how the business community will stand to gain. Admittedly, the estimates have fallen somewhat in recent months, but there are no guarantees of protection for consumers as yet.

The changeover to the euro is not a mere formality. It is a radical change in the systems of prices and values. As a result, the technical and financial problems which the various players may face cannot be ignored. Everyone is involved – from the public authorities to banking, insurance and commerce, including service providers (particularly as regards automatic vending machines and cashpoints) and credit card organisations – to different degrees in this process, whose first key date will be 1999. This operation will involve both internal changes in enterprises/industries and measures to inform the general public: modification of computer programs, preparation and definition of new social security and tax scales, simplification of legal rules, the essential need to introduce dual labelling systems, etc. The funds required differ in their nature and timescale, as a function of immediate material operations, effects of legal problems, but also more structural changes, etc.

This clearly means that investment is needed. But, precisely, we are talking about investments – not sunk costs. And, above all, the sheer scale of the process should not be used as a pretext for shifting onto consumers responsibilities and tasks which are properly those of business. Likewise there can be no possible justification for saddling the euro with the cost of changes which would be necessary in any event, such as the change to the year 2000, the replacement of obsolete computer equipment, the constraints resulting from globalisation, or the development of new financial or commercial products. That being the case, the Working Party is unanimous in its view that the protection of consumers requires complete openness about the whole process, industry by industry, and agreement on the principle that funds will be made available to protect consumer interests. A wide variety of information is circulating, most of it unverifiable. Here too, the existence of a welter of data does not necessarily mean that people are informed. Transparency is therefore of the essence. It is crucial to the credibility of enterprises and public authorities, to the very image of the euro at this stage – and of course to the attitude and involvement of consumers as “users” of the euro.

2. *Transparency and consumer protection*

2.1 One clear ground rule: consumers must not be obliged to foot the bill the changeover to the euro.

This position is not at all out of place. The usual message in the various countries concerned – whether or not it is spelled out – is basically that “society will have to pay” or, more explicitly, that “consumers will have to choose between higher prices and higher taxes or a mixture of both”.

The “good sense” of this assumption is highly debatable. It boils down to asking consumers, in the name of the euro and in return for the putative social and economic advantages of its introduction, to pay up front and, in a sense, to foot the bill for the “installation” of the single currency. All this after having forked out “study and preparation costs” in terms of purchasing power under the banner of the convergence criteria. Put simply, people are being asked to pay twice, once as taxpayers and once as

consumers ... if not indeed as workers. This is all the more unacceptable in that the single currency's advocates claim to be pledged to improving people's everyday lives. It would exacerbate the concerns and fears of consumers, whereas the stated aim is to convince them that the euro is a good idea.

2.2 What possible chance is there of winning consumers' "support" if they are also asked to shoulder the costs or even make genuine investments, in the name of supposed benefits?

The Working Party's position is substantiated and is not mere demagoguery. In economic and financial terms, the business community stands to gain most from the euro, as is clearly shown by the positions adopted by the national and European trade associations. The benefits for business are already recognised and "tangible". There have been many official declarations confirming this.¹

Leaving aside the sector-specific features, the benefits are very real – such as the disappearance of currency exchange operations, in certain cases, or the development of new types of financial products, in others.

Moreover, investment in the euro is not recurrent, but one-off, whereas the benefits accruing to investors are lasting. We might add that plans have already been made for this investment in many cases ... so as, in a way, to spread the costs over time and pass them on to consumers in the shape of higher prices. The French banking sector is a case in point, with its plans for anticipatory measures to raise its charges. Indeed, even now the clients and staff of the institutions concerned are already beginning to pay the price.

It may also be noted that, while the banks will face considerable initial costs, they will no doubt be long-term beneficiaries as a result of their enhanced international role. Here again, it would be quite unacceptable for the banking and financial sectors to pass on the potential "costs" without mentioning or taking into account the potential benefits which each group is already anticipating. We shall no doubt be told that the situations vary depending on the type of industry or the size of the enterprise. However, it will be necessary to avoid making things worse for the smallest establishments.

And, if this problem should arise, why not provide for the costs to be pooled within the industries, with the sectors that benefit the most coming to the assistance of the "less advantaged"? In the same way, "fiscal compensation" in national budgets could be granted on the basis of specific weight in a given sector or enterprise....

¹ Mr Eric Blot Lefèvre, treasurer of the Thomson Group, according to whom "*The financial and organisational benefits are considerable. Even data processing, in spite of the direct costs, will benefit from it very soon. For this recasting of information systems must also be taken as an opportunity to speed up the processes of dematerialisation...*", (CIC Review, Paris, March 1997)

Mr François Culie, Director of the "single currency" project at the Société Générale, "*As far as the costs are concerned, it is wrong to consider that a considerable proportion of our expenditure in the next two to three years is attributable solely to the single currency, because we would have had to modernise our computer systems anyway, especially for reasons of commercial positioning, and to upgrade them so that they can continue to be maintained and developed in functional and technological terms...*" (EuroSopra, February 1997); CIC Paris, "*An exceptional opportunity to consolidate our position with existing and potential clients...*" (March 1997); or Mr M.E. Leclerc, of the Leclerc supermarket chain, "*This changeover to the euro will save us FF 140 million in currency exchange costs. It would therefore be a scandal if consumers were made to pay for the introduction of the single currency*" (Le Parisien, 13.11.1996).

On the other hand, although it is predicted that the euro will make life easier for people in general, who can guarantee precisely how and where consumers will benefit, especially in the initial phase?

Official documents highlight the effects on economic growth of the changeover to the euro, easier price comparisons in various countries and the greater convenience for people who travel because they will not have to change money. Mention is also made of the guarantee of purchasing power... But how can all this be expressed in hard figures and who could guarantee it today?

It is clear, at any rate in the short term, that private consumers will benefit only marginally (as regards currency exchange, cross-border payments, etc.). In that case, why should consumers have to foot the bill, which is all the more unfair in view of their unequal bargaining position?

This is a question of basic justice. But economic efficiency is also at stake. Lastly, what justification is there for forcing consumers to shoulder the costs, particularly in a relatively impoverished and insecure social climate?

SECTION 2: SECTORAL APPROACH

I. Banks

The banking sector's changeover to the euro will have significant implications for consumers in various fundamental respects, chiefly in connection with access to services and information, throughout the entire process.

1. *The principle : "no prohibition, no obligation"*

The Committee considers that consumers must be free to use the euro before the end of the transitional phase; it is essential that the banking sector, in all participating countries, give users the option of transferring money either in euros or in the national currency, the conversion being carried out by the bank at "black box" level. To this end, we must start right now to develop the necessary software and check its functionalities conscientiously, so that it will be fully operational as from 1 January 1999 and guarantee the safety of transactions while ensuring that consumers are correctly informed.

Consumers who wish to switch to the euro as of 1 January 1999 should be able to do so without difficulties. To this end it is indispensable that the banking sector offer euro accounts to its clients, as of the beginning of the transition phase; it would in fact be quite unacceptable, at a time when all banks are offering their clients foreign currency accounts, if consumers who wanted to could not have accounts denominated in the official currency of the European Union.

On the other hand, there is absolutely no question of obliging consumers to open a euro account or to have their current account converted into euros before the end of the transitional period.

The CC considers that the principle of "no prohibition - no obligation" cannot be invoked by the banking sector as a ground for refusing to provide consumers with euro services. Because of the particular nature of the services provided by banks, such an interpretation would be quite unfair and must be rejected.

2. *The consequences of the changeover for credit, medium- and long-term banking products, and savings products*

The changeover of the banking sector will affect the presentation of amortisation tables (mortgage loans), as well as most long- and medium-term banking products. Prior information must be provided in this context, both in the interests of transparency and to make sure that consumers don't have to foot the bill unwittingly.

2.1 Banking products purchased during the transitional period

Consumers who take out a long- or medium-term loan (such as a mortgage) will benefit from having the loan denominated in euros as of 1 January 1999, in order to avoid the consequences of the mandatory changeover later on (new repayment schedule in euros, conversion of all the documents concerning the loan). For all banking products that "straddle" the two periods, it is imperative that banks commit themselves to informing their clients correctly about the possibility and advisability of having loans denominated in euros, notably through the medium of explanatory and/or promotional brochures.

2.2 Loans denominated in a national monetary unit

During the transitional period, consumers who wish to do so must be able to convert their loans into euros, particularly if they have already opted for a euro account. Like all conversion operations, this should not involve charges for the consumer.

At the end of the transitional period, borrowings denominated in a national monetary unit will be systematically converted into euros. All consumers should receive at this moment a new schedule denominated in euros, as well as all information linked to the development of their credit situation, expressed in euros; this is an absolute requirement.

The detailed procedures for converting loans must be strictly defined so as to avoid harming consumers; the right approach is to convert the total amount of the loan on the basis of legally prescribed rules and only then recalculate the monthly instalments at the rate initially foreseen in the credit agreement.

2.3 Other financial products in national currency

As of 1 January 1999 the leading European stock exchanges will switch over completely to the euro. Consumers who own securities denominated in national currencies must of course have access to the euro rates.

National stock exchanges seem to want to leave it to the intermediaries (and thus notably the banks) to address questions concerning the final consumer. Banks must **as of now** make known how they intend to deal with securities after 1 January 1999, both in respect of:

- securities acquired before 1 January 1999 (the procedure for adapting the values must not harm consumers and they must be correctly informed, in writing)
- securities acquired during the transitional phase (if consumers are still offered securities denominated in a national currency, under no circumstances should the conversion costs be charged to them. Moreover, consumers should always be able to place their orders in euros, including orders for securities in non-electronic form)

In this area, consumer information is the crucial issue: during the transitional phase consumers must be provided with dual price information in the press (for example, the closing prices denominated in euros and the national currency) and in the documentation distributed by the banks.

3. The duty to inform consumers

The CC considers that the banking sector, as the consumers' key partner in financial matters, has a particular duty to provide information to its clients. This information will naturally assume various forms, but the CC suggests in particular that statements of account sent to clients should be one of the main information channels throughout the transitional phase.

Information on the euro must be distributed by banking sector well before consumers definitively switch to the euro. This information should not be confined to current accounts, but should also apply to mortgage credit, consumer credit, savings products and other banking products. The information must be transparent and easy to understand; naturally, information of a general nature must be available, but it is also crucial to provide more specific information targeted at the particular needs of individual consumers.

For banks that have decided to offer euro accounts during the transition phase, this information requirement is obviously all the more imperative; apart from the usual statutory information, consumers should be able to obtain any advice they require before switching to the euro and, afterwards, until the end of the transitional phase.

The CC suggests the following schedule:

- as of 1 January 1999, information to be provided on all statements of account sent to consumers:
 - indication of the original monetary unit for all assets and liabilities, as well as the amount in question

- systematic mention of the conversion rate applied between the euro and the national unit, and vice-versa
- indication of the equivalent value of the balances.

Such information relating to the statement of account will also have the advantage of enhancing the credibility of the transition to the euro.

As from 1 January 1999 it is indispensable that all consumers be correctly informed about the conversion and rounding rules applicable between the national unit and the euro. The psychological impact will be quite considerable: even a minimum discrepancy between the sums expressed in national currency and in euros would be a source of confusion for consumers, in the absence of adequate information disseminated by the banks.

When charges are invoiced to consumers in connection with a transaction involving several national currencies, they should be accompanied by detailed information so that consumers will not be led to believe that they have been made to pay the exchange costs.

- From 1 January 1999 to the end of the transition phase, banks must provide information at an intensified pace:
 - massive information of consumers who have chosen to switch over to the euro at an early stage
 - more targeted information for consumers who have decided to keep an account denominated in national currency. This information could be linked to the purchase of a banking product, or could be provided when a consumer conducts a transaction between two Member States in the euro zone
 - specific information for persons holidaying in an other state of the euro zone
- During this period the information provided to consumers must emphasise the fact that the option of switching over to the euro is not a neutral one and that in certain cases an early changeover may be advantageous.
- At the end of the transitional phase, all consumers must be in a position to know the key figures of their budget in euros, as result of having being suitably informed. This information must notably include systematic double marking on bank statements for an adequate time before the end of the transitional period.

4. *The cost of the operation*

The banking sector has presented numerous estimates of the investments it will have to make in connection with the changeover to the euro. It is indispensable that these amounts be justified and correctly explained.

The CC demands that the banking sector rapidly publish a clear analysis of the structure of direct costs associated with the transition to the euro. It goes without saying that this analysis must distinguish between net costs and gross costs, for example in connection with the purchase of new computer equipment, and that it must be mindful of cost-benefit aspects, with costs being interpreted as investments.

The CC considers that publication of bank charges is imperative, because transparency – besides the fact that it should be the rule across the economy – is after all one of the prerequisites for the general public's acceptance of the changeover to the single currency.

4.1 No additional costs for the consumer

When consumers convert their accounts denominated in national currency into a euro account during the transitional phase, no additional costs should be imposed on them just by virtue of the changeover.

Banks stand to gain considerably from rationalisation as well as from the disappearance of the exchange risks in the euro zone. Hence no specific cost should be charged to the consumer:

- because of their initial changeover to a euro account
- in the context of converting national units into euros and vice-versa
- in the context of exchanging coins and notes.

4.2 The question of conversion charges

As from 1 January 1999 consumers will be able to discharge in euros their debts denominated in national currency – it being up to the bank to carry out the conversion. Likewise, they will be free to discharge in national units their debts denominated in euros, under the same conditions.

It seems that certain banks intend to bill their clients for converting euros into national monetary units and vice-versa. Obviously such practices would be quite unacceptable, since they would in no way correspond to the real costs and would also be a source of confusion for consumers.

The CC believes that such practices should be banned.

More generally, we urge the European banking community to declare clearly how it intends to address conversion procedures during the transitional phase, notably as regards the information that banks intend to provide to consumers. For example, consumers have to be informed of the exact nature of any charges invoiced to them in connection with a cross-border transaction, and these charges should under no circumstances be confused with exchange charges or conversion charges.

II. Insurance

Virtually all policyholders in Europe will also be affected by the introduction of the euro. There are fears about, for example, how smoothly the changeover will be made, whether contracts will continue and whether the yields on life assurance will be lower. The changeover must therefore be made openly and must not be allowed to give rise to uncertainty and to legal and financial disadvantages for consumers.

1. Problems with new and existing contracts

1.1 Costs of conversion: no clandestine shifting of costs to the consumer

The conversion must be cost-neutral for consumers, especially as the insurance industry does not talk about costs but about investments. Thus, no new policies should be issued. There must therefore be no shifting of such Euro-related costs to consumers. Comparisons of premiums in the individual Member States before and after the introduction of the euro are also important in order to ferret out any systematic price hikes planned well in advance. Hence, as from 1999, comparisons of premiums and value for money must be carried out – at national level – at the initiative of and with the support of the Commission.

1.2 Dual pricing and consumer information

In order to make it easier for consumers to become accustomed to the new currency, in order to create transparency and thereby increase acceptance, the written documents (e.g. contract forms, insurance policies, invoices) must contain collective and individual information on the two currencies where important amounts are concerned (such as sum assured, indemnification, excess, premium), as follows:

- contracts in euros:
 - parallel data in national currency from 1.1.1999 and until six months after introduction of the euro notes and coins;
- contracts in national currency:

- in the case of long-term contracts extending beyond Phase B, notably life insurance policies: parallel data in euros as from 1.1.1999;
- in the case of other contracts, parallel data of the amounts in euros as from one year before introduction of the notes and coins (Phase C)

This information must be provided not only during a contract's lifetime, but also before conclusion of a new contract or amendment of an existing one. In addition, as well as providing clear, comprehensible information on the conversion procedures, insurers should be obliged to provide targeted, individualised information about what is changing and what is not changing in the following cases:

- when converting old contracts;
- when offering euro policies or other euro-linked products from 1.1.1999 onwards;
- no disadvantages for consumers on account of differences due to rounding (cf. 3 below);
- comprehensive information for and by agents/brokers/consultants.

1.3 Differences due to rounding

It is conceivable that, as a result of the banks' "black box" conversion, from 1.1.1999 onwards there will be differences between the invoiced amounts and payments. Example: the insurance company draws up an invoice in the national currency; the client makes a transfer from his euro account; the bank's black box calculates the transfer back into the national currency, with the result that the insurance company is credited with minimally too small an amount. In this case consumers may suffer, for example when a "reminder procedure" (e.g. for failure to pay a premium in full as a result of rounding) is initiated or when insurance cover is in question as a result.

2. Adaptation of existing contracts

There are basically two alternatives when it comes to converting contracts:

a)

All relevant amounts (sum assured, excess, indemnification, premium) are converted exactly to euros. This does not involve any disadvantages for consumers if the principle of the continuity of contracts (Article 3 of the proposal for a Regulation under Article 235 of the EC Treaty) applies. We therefore come back to our demand for Article 3 to be worded as clearly as possible, leaving no loophole for the use of contract adjustment clauses. The simple replacement of the national currency by the same amount in euros should follow the conversion rule to avoid giving rise to uncertainty (as would occur in option b) below).

b)

A lot of insurers will tend to round many of the above amounts to an even sum in euros by 1.1.2002 at the latest. In many European countries this means from a legal point of view not a simple adjustment of the sums but an amendment of the contract to be accepted by both parties. Article 3 applies "subject to anything which the parties may have agreed". In Germany, for example, the insured is entitled – if the amendment is negative for him, which in many cases will be difficult to check – to terminate the contract. An amended contract comes about only if the consumer accepts the insurer's proposed amendment in writing. Otherwise, Article 3 applies and there will be odd sums in euros. It is primarily a problem for the insurance companies, but it may also become a problem for the consumer if he is confused and does not know what he has to do. The problem can be eased if the insurer adjusts amounts to the benefit of the insured and does not increase the premiums.

In this case, the insurance companies would at least have a degree of certainty about their planning because a written reply from the insured person would not be necessary.

Nevertheless, this procedure could lead to a loss of acceptance and to insecurity/confusion.

This insecurity would be even greater – especially in the case of life insurance – if it is not clear whether the adjustment is to the insured's advantage or not. Example: an insurer rounds up both the sums insured and the premiums.

The following consequences may be drawn:

- In converting old contracts, procedure (a) should be applied, since this also most closely corresponds to the principles set out in the EU Regulations (Article 3-235 and Articles 3,6,14 - 109I).
- In the case of contractual amendments (case b), insureds should be clearly informed about the significance and possible consequences of such amendments.
- Brokers should not be allowed to exploit the contract adjustment phase to rake in big commissions by pressurising people into taking out new policies on the basis of misrepresentations (see also III.2).
- In the case of contract adjustments that are detrimental to the insured (e.g. higher premiums or rounding down of the sum insured or indemnification), the latter must be free to repudiate the contract.

3. Further reforms for the protection of consumers during and after the changeover to the Euro

As a result of the transposition of the Third Directives on life and non-life insurance by the Member States, the European internal market in insurance is increasingly becoming a reality; the changes are manifold and far-reaching. People can buy insurance abroad, and possibly foreign insurance brokers will soon be entitled to visit clients in their home country. Insurance products and policy terms will become increasingly customised as a result of liberalisation. No longer will the insurance watchdogs be responsible for the prior examination and approval of the terms of insurance policies. Besides keener competition, this reduce the transparency and comparability of the products offered. These developments pose new challenges to consumer protection policy – challenges which will be further intensified by monetary union.

3.1 Transparency in insurance, in particular life insurance

There is a need to counter the growing lack of transparency. The life insurance sector is particularly problematic – owing to the great lack of transparency in this domain, costs can easily be hidden. One of our demands is therefore disclosure of how the annual premium is divided into a cost element, a savings element and a risk element. We already made this demand when the third insurance Directives were being drawn up.

3.2 Legislation governing intermediaries

Consumer associations have long advocated clear rules regarding intermediaries. Up to now there has only been a non-binding EU recommendation from 1991. This recommendation is not sufficient; neither is qualification and registration of intermediaries. Just as important are rules on liability, burden of proof, commission and the procedure for concluding contracts.

Monetary union, potentially involving the conversion of millions of contracts, could be used by intermediaries to muddy the waters and to try to persuade the clients to terminate contracts and take out new ones. It is, therefore, an additional argument for a decision on binding rules covering intermediaries.

3.3 Comparability

In official “euro-brochures”, greater price transparency is promised following the introduction of the euro – notably in the services sector. This however does not hold water for the insurance sector because, following the creation of an EU-wide insurance market, insurance products on offer within and between Member States are becoming increasingly divergent. At present price transparency is no longer assured because in the case of differentiated products price can no longer be the touchstone for choosing between them. Ways must therefore be found to promote product and quality transparency.

III. Commerce

1. The role of the retail trade in a smooth changeover to the Euro:

Besides financial services (banking and insurance), the retail trade also has an important role to play in ensuring that the changeover to the euro is smooth and conducive to consumer confidence. This is especially important since consumers are in more or less daily contact with the sector, and so it is liable to have a powerful influence on their attitudes to the transition one way or another.

Consumers rub shoulders with the retail trade mostly when they buy consumer goods (especially foodstuffs and other staples). Trends in the prices of food and other staples considerably affect living standards. This raises the question of price continuity and, by

extension, that of readily understandable price conversions both before and after the final transition to the euro.

The challenges and the kind of measures that make sense can be broken down into two phases:

- measures before and after 1.1.1999: voluntary measures
- measures before and after 1.1.2002 (or Day X), i.e. the actual availability of euro notes and coins: generally binding measures.

1.1 The retail trade and the date of 1 January 1999 (Phase B)

Consumers must become familiar with an important new value relationship, i.e. that between the national currency and the euro. Therefore it is important to ensure that consumers learn and internalise as much as possible this new value relationship. In this connection the focus could be on a “play-oriented” and thus natural learning process. The retail trade has a key role to play here, because of its almost daily intercourse with consumers. There is a whole raft of options. Besides the possibility – mentioned by retail trade representatives – of offering consumers pocket calculators or installing scanners with an eye to ready conversion of prices into euros, one might consider publicity campaigns before and after 1 January 1999 in the form of dual pricing, euro information stands in shops with special European product offers, etc.

As from 1 January 1999, consumers will be increasingly likely to have euro bank accounts. It might therefore be helpful, from this date, for retailers to offer the possibility of payment in euros by cheque or card. However, this would require a number of associated conditions to be fulfilled:

- Appropriate conversion aids or means of checking calculations must be available to the consumers at the till (conversion tables, pocket calculator with conversion factor);
- Prices must be converted using the rate laid down in the EU Regulation and the rules on rounding;
- There should be an indication in the shop window that payments in euros are accepted (in non-cash form);
- The way in which the two currencies (national and Euro) are marked should not discriminate against either of them.

The general point to be made is that in cases where, from 1 January 1999, dual pricing is practised on a voluntary basis, it should be possible for to pay in euros.

One key prerequisite for a smooth and successful learning and acclimatisation process is that sales personnel must be adequately trained and motivated. Thus training measures should begin in time, i.e. before 1 January 1999. In designing training strategies the differences in the level of information – and hence information needs – of all population categories, notable the elderly (who may have misgivings about the transition to a new currency) must also be borne in mind.

Finally, the measures to be taken during the transitional period must take into account all population categories, notably the elderly and disabled, who may have considerable difficulties in using and handling the information tools (such as calculators and scanners).

1.2 The retail trade and the date of 1 January 2002 (Phase C)

Whereas Phase B, starting by 1 January 1999 at the latest, should be used to familiarise consumers with the new value relationships, the Euro Working Group feels that in Phase C general and binding rules should apply.

The core requirement is the implementation of dual pricing throughout the retail trade on a mandatory basis for an appropriate period and in a basically comparable form. It would be helpful to adopt framework rules at European level. The detailed technical

arrangements could then be fleshed out at national level, on the basis of existing price marking laws and regulations.

A suitable window for the achievement of the above-mentioned objectives would be six months before the de facto introduction of the euro (1 January 2002, or Day X) and six months afterwards.

Publicity measures (special offers in retail stores, publicity brochures, TV spots) with indication of prices should in principle begin one year before the date of conversion (at the latest by 1 January 2001), in the form of mandatory dual pricing (publicity/advertising has wide appeal and is thus an ideal vector for informing consumers about the value relationship between the national currency and the Euro).

2. Justification of the demand for mandatory dual pricing:

In the case of optional dual pricing, there will be gaps which consumers will find irritating; the optional approach also opens a loophole for unfair practices. This approach would also weaken the learning process at the point of sale.

Consumers themselves should have the opportunity to make objective price comparisons and thus observe and monitor price trends in the transition phase.

If dual pricing is optional, unscrupulous pricing practices may arise in specific product sectors, which may lead not only to consumers being defrauded but also to unfair competition to the detriment of reputable traders.

3. The technique of dual pricing at the point of sale

Generally, the following rules should apply to dual pricing

In Phase B price indications are provided consistently in national currency in accordance with the rules in force, while the converted euro value constitutes supplementary information. The reverse applies as from 1 January 2002 (or Day X, Phase C): hereafter, price marking is based on the legal rules governing the euro, while the price in national currency constitutes supplementary information.

3.1 Products and Dual pricing

In retail stores prices are usually marked on the shelf or on the product itself. Each country has its own statutory price marking rules. Building on these provisions, dual pricing rules should stipulate that the final price consumers have to pay for a product be indicated in the comparison currency in an appropriate size and with appropriate prominence alongside the "primary" currency. In other words only one additional figure must be indicated (basic price in national currency, final price in national currency, final price in euros, vice versa as from 1 January 2002). There is also the possibility of colour-coding the prices. Besides, the rate of conversion of the euro fixed as from 1 January 1999 should be prominently displayed in the sales areas, for example on large notice boards, to ensure that consumers are informed.

3.2 Till receipts and dual pricing

The conversion of a till receipt total into the "comparison" currency is straightforward enough from the technical angle. During the period when the two currencies exist in parallel, it is especially important that the change due be indicated in both national currency and euros. For example, consumers paying for goods in their national currency and receiving change in euros at the point of sale cannot reasonably be expected to check the accuracy of the calculation in the hustle and bustle of the payment transaction.

The principle of dual pricing must at any rate be consistently upheld. Optimal technical solutions for its implementation should be fleshed out on the basis of the price marking

rules currently in force (at national and European level), paying special attention to the needs of small retail businesses.

IV. Administrations

1. The euro and public administrations

The discussion on the introduction of the common currency in public administration has not to date been wide-ranging enough. Thus the approach of various governments to this dimension of the introduction of the euro does not reflect the interests of the consumers but only those of the administration. As the State itself is concerned no government seems able to take an impartial decision and with a view to reconciling the conflicting interests concerned.

A look at the state of preparation in the public administrations gives grounds for concern. Although the governments of those very Member States that want to belong to the Euro-zone from the word go have been clamouring for the punctual introduction of the euro, very little has been done to prepare the public administrations in any serious and compelling manner. For example, judging from recent pronouncements, Germany, France, Austria and the Netherlands take it for granted that the euro will be introduced at the latest possible moment in their own public administrations. Thus from the current discussion it is not at all clear whether and, if so, how the principle of “No prohibition, no compulsion” agreed in Madrid is to be implemented in introducing the euro as from 1999 in this domain. Recital 16 of the draft euro Regulation based on Article 109 I (4) of the EC Treaty specifically foresees that the Member States participating in monetary union may allow use of the euro in transactions with the public sector. But for all practical purposes the public administrations and publicly-owned undertakings have so far been exempted from the principle “No prohibition, no compulsion”. Citizens in their dealings with the administration have no choice between different contractual partners, because they are dealing with what are virtually monopolies.

If private-sector operators are free to use the euro in their daily business as early as 1999, the same must also apply to dealings between consumers and the public administrations. In representing a State whose government recommends the introduction of the euro, public administrations must set an example to the public and play a pioneer role. It is just not on for business and consumers to be pushed unrelentingly towards a common European currency on 1 January 1999, while public administrations grant themselves the latest possible deadline, viz. years later. For the State itself to delay the transition will hardly contribute to improving the euro’s somewhat tarnished image in certain Member States and have the euro accepted by the population.

From the consumer associations’ viewpoint, it is essential that Member States participating in the currency union do their utmost to prepare their public administrations. We are quite aware of the obstacles – for example, the conversion of software in data-processing systems, which as far as we know bear no comparison with those of big corporations or banks. But civil servants and other government workers must themselves be prepared for the euro in their dealings with citizens, because in the public eye they represent the State whose government wants to introduce the euro.

1.1 Public administrations as payment recipients between 1.1.1999 and the introduction of euro banknotes and coins

Some consumers will want to attune themselves to the reality of the euro very early on and – even as from 1999 – open a euro account with their bank, get a pay slip

denominated in euros from their employer, or conduct private financial transactions in euros. These consumers will be at a loss to understand why – for example – their tax returns have to be submitted in the national currency just as before, as though nothing had changed. The banks have already announced that they intend to charge a fee for any transaction involving both currencies in the transitional phase before euro banknotes and coins come into use. This is something the consumers' associations are very much opposed to, but it may yet happen. The losers would be the consumers with a euro account who would still be required to pay, say, their motor vehicle tax or fines by cheque in national currency. Inadequate preparation on the part of the public finance authorities would thus directly disadvantage consumers who were well disposed towards the euro. Individuals should be entitled to make their annual tax declarations in euros as from 2001 for the previous year. A number of large firms will be doing so, and will expect the public authorities to show the kind of flexibility that several Member States have promised. This facility must be available to consumers likewise. Although not many people will want to use the euro straight away in 1999, there should be nothing to prevent them from doing so. Public administrations can and must make a major contribution towards creating a Euro-friendly environment. Foot-dragging would have the opposite effect.

1.2 Public administrations as State care-providers

There are various forms of daily financial dealings between consumers and public administrations. In addition to payments which consumers make to the State, there are a range of benefits which administrations pay to consumers, mainly of a social nature – such as retirement pensions, family allowances, unemployment benefits, housing aid for beneficiaries of social assistance, etc.. These differ from country to country, but the common feature is that administrations make transfers or pay out cash to individuals. The recipients may be poorly educated or old, and will need more help than others in coping with the changeover to a completely new currency. Public administrations will have a lot of work to do in explaining what the new money means and how the sums are done.

1.2.1 Payments between 1.1.1999 and the introduction of euro banknotes and coins

Any consumer who wishes to make private transactions in euros from 1999 on must be entitled to receive their benefits in euros. These early euro users in particular have a right to know precisely how public administrations have converted national currency into euros and to be shown that there are no financial disadvantages and no extra costs involved. This means indicating the sum paid in both national currency and euros, so that consumers can work out the conversion for themselves and get used to the new figures.

1.2.2 Payments made in the period straddling the deadline for introduction of euro banknotes and coins

If consumers are to prepare properly for the changeover, any information or official notification they receive must be in both national currency and euro at least six months before and after the date for the introduction of the notes and coins. Where such details are notified only annually, the dual amounts must be stated at least the year prior to the introduction of the new money. This is essential if consumers are not to get the feeling that their benefit payments are worth less than before, and to help them get used to the amounts they will be getting in future in euros. There is also a need for special information in the form of explanatory leaflets, posters and specially trained euro advisers in the public administrations. Consumers' associations, senior citizens' clubs and the like could be a useful means of getting the message across.

Wherever public administrations, and especially local government authorities, receive cash payments, e.g. in the form of carparking charges, the scale of charges must be given in euros at least six months prior to the introduction of the notes and coins. The consumers'

associations are opposed to any moves to round up charges to conveniently round euro amounts on the grounds that this would constitute a de facto increase.

The consumers' associations are insistent that any changes to scales of charges to accommodate the euro should not be at the consumer's expense.

2. The introduction of the euro and its significance for publicly-owned service undertakings

With recent moves to liberalise postal services, telecommunications, railways and air travel, many private undertakings have now taken the place of state-run businesses. Although government still holds shares in a number of these newly privatised businesses, most of them are subject to normal business rules (or will be increasingly in the run-up to euro launch). It follows that consumers' interests are the same as for any normal business. One exception is postage stamps, which are priced not competitively but by State intervention. Any awkward fractions of euros will have to be rounded up or down for purely practical reasons. This must not be misused, though, to increase the price of postal services. Providers of such services must therefore make sure that any increases which result from rounding up the face value of stamps are balanced out by making it that much cheaper to send a letter.

For private households, publicly-owned local or regional government service providers are of particular importance. Virtually all households get their gas, water or electricity from such companies, pay for the disposal and treatment of household waste and waste water, and use public transport, swimming pools and cultural facilities.

As far as consumers are concerned, they must be able to see whether charges and fees have been increased or whether they have simply been converted at the official rate. But consumers will also have to get used to entirely new amounts of the new money. It will be essential, then, for all regular invoices to be given in both euro and national currency (including the unit price per cubic metre, kilowatt-hour, etc.) at least six months before and after the introduction of euro banknotes and coins. For at least a continuous 12-month period, private households must be in a position to compare their actual expenditure in both currencies. This is the only way of ensuring enough transparency for people to become confident in using the new money.

Consumers who wish to do so must be given the opportunity to pay their bills by bank transfer in euro from 1 January 1999 on. Their invoices should be in both currencies from that date on. It would also be helpful if literature and telephone advice were available to ease the transition.

Where consumers pay for services mainly in cash (e.g. public transport, swimming pools, theatres, museums), the important thing is that the customer should be able to see clearly how the euro price has been arrived at. What this means is that, at least six months before and after the switch to the euro, prices should be given in national currency and Euro. Ticket machines, for instance, will have to give clear information on this point. It would also be helpful if service providers could provide literature and personal advice on any problems to do with the changeover.

In other words, in regulating the consumer-protection aspects of the introduction of the euro, no exceptions should be made for public undertakings, regardless of whether regulation takes place at national or EU level.

In summary our demands are as follows:

- ◆ Speed up work to prepare the public administrations for the euro with a view to ensuring that they can use the euro with effect from 1 January 1999 and not at the latest possible point in time.

- ◆ Make it possible for consumers who wish to do so to make bank transfer payments to public administrations (e.g. tax payments, fines) in euro from 1 January 1999.
- ◆ Make it possible for consumers who wish to do so to receive bank transfer payments from public administrations (e.g. benefits) in euro from 1 January 1999.
- ◆ No abuse of the euro introduction, and no moves by public administrations and publicly-owned undertakings to shift transition costs to the consumer in the form of higher charges and prices.
- ◆ Timely and objective consumer information on the switch to the euro, together with dual-currency information on scales of charges, price labelling, etc. at least six months before introduction of the euro banknotes and coins.
- ◆ Transparency in converting fees, e.g. for machines for issuing carpark tickets, public transport tickets, etc.

SUMMARY AND RECOMMENDATIONS

The summary report focuses on the general recommendations which we consider necessary to ensure a smooth transition to the single currency. The global report provides an analysis by sector (banks, insurance companies, public administration, trade).

Besides the general and the sectoral approaches, we should also look at the timescale of the introduction of the euro. 1999 is the year of the single currency. The introduction of the notes and coins is one of its features, and probably the most important one.

If citizens cannot use the euro during the three-year transitional period, they may become confused and accept it only reluctantly.

Naturally, this period should give people time to get used to the new scale of values. But consumers who want to do so should also be allowed to use the euro.

1. Information

Information is an essential element in promoting and facilitating the introduction of the new currency.

Information has an apprenticeship objective – namely the development of training tools to ensure widespread acceptance and make everyone “keen” to use the euro. It also has a transparency objective: tell people about the practical modalities so that they will know all they need to know.

Information must be diversified and attuned to the different target groups (young people, the elderly, the disadvantaged, etc.), it must accurately focus on consumers’ concerns and must be provided via a variety of intermediaries – giving pride of place to those that have direct contact with consumers, such as the voluntary sector. The information must be practical and entertainingly presented. Sites should be created for collecting and disseminating the information, and to ensure a good match between the tools and the information providers.

The dual indication of values should be part of a global consumer information and education strategy, which must begin before 1999.

Money is the benchmark of value, a point of reference for assessing the cost of goods and services. If consumers are to get used to this new reference, they must become familiar with using the euro, they must grow accustomed to its orders of magnitude, and it must be made clear to them that the respective values remain identical, whether expressed in the national currency or in euros.

As from 1999 information in euros should progressively be provided by large utilities and institutions (water supply companies, gas, electricity, telephone, employers, banks, etc.). The dual indication of values should be the rule and should be introduced across the board during an appropriate period (of the order of six months) before the advent of the coins and notes, as well as during the period of dual circulation, in order to help people adapt to the new currency, to reassure consumers, and to facilitate price monitoring during the changeover period.

During the period preceding the introduction of the new legal tender, prices must be indicated in the national currency in compliance with the legal rules in force, supplemented by the indication of the price of the product or service in euros. As from the introduction of the legal tender, these prices must be indicated in euros in accordance with the legal rules in force, supplemented by the indication of the price of the product or service in the national currency. Dual indication is necessary across the board. The global report contains concrete recommendations for individual sectors.

2. Introduction of the coins and notes

2.1 The coins and banknotes

The group has been consulted on several occasions concerning the designs of the coins. It has made numerous observations, notably in regard to differentiation of the coins. Some of these have been taken into account by the Working Group of Mint Directors.

National faces are not desirable because they may cause confusion and open a loophole for fraud. At a symbolic level, we consider that common coins are desirable.

Use of nickel may present a health risk. Hence, adverse health effects should be neutralised.

The group regrets that it has not been consulted as regards bank notes as distinct from coins.

2.2 The modalities for introduction of the legal tender

The group is worried about the length of the transition period – which can be anything up to three years. But advancing the introduction of the euro to a highly symbolic date – the year 2000 for example – might give rise to insurmountable technical problems.

The first of January is a problematic date, because the practical information – which is crucial in the days preceding the introduction of the currency – will fall during a period in which consumers are not at their most receptive.

Whatever the date, a big drive will be required before this date to ensure appropriate information and education of all consumers.

Given the practical difficulties of the period of dual circulation, it should basically be an short changeover period not exceeding three months. From this angle, consistency in the choice of methods of payment means that change will be given only in euros, and that as from the introduction of the notes and coins all non-cash payments must be in euros.

Even if the modalities of the dual circulation period are regulated by the Member States, it would be helpful to provide for concertation, if not harmonisation, at Community level.

3. The continuity of contracts

It is essential to reduce uncertainties associated with the changeover to the euro.

Modification or repudiation of contracts by professionals because of the changeover to the euro is not acceptable. However, the existing European rules – which enshrine contractual freedom – in no way outlaw such actions. This situation cannot be tolerated in consumer relations.

We demand that measures be taken at Community level in order to avoid harms to consumers associated with the changeover to the euro caused by the role of contractual terms.

4. Costs of the transition

While we are aware that investments will have to be made, we believe that consumers should not have to foot the bill for the transition to the euro. We need precise information on the total costs which will be incurred by the different sectors. The transition to the euro should be looked on as an investment which firms will recoup in the short or medium term. It will be very difficult to win consumer's support if they are asked to shoulder the costs, in the name of the putative benefits.

5. Banking and financial services

The banking sector should be a driving force in the transition to the euro. If we want the three-year transition period to be put to good use to allow people to adapt to the single

currency and use the euro in consumer relations, the principle “no prohibition – no obligation” cannot be relied on by the banking sector as a ground for refusing to provide consumers with services in euros.

As from 1999 consumers should find, on their bank statements, all the information they need: rates of conversion, indication of the equivalent value of their balances, indication of costs associated with the cross-border operations.

During the transitional period banks should provide an increasingly wide range of information. All amounts should be indicated in both currencies on statements of account for a sufficient time before the end of the transition period.

As regards cost, no specific cost should be charged to consumers who switch over to a euro account, whether this concerns converting the national currency into euros and vice versa, or whether it concerns exchanging notes and coins.

6. Public administration and public services

It is necessary to speed up preparations for the transition to the euro to show that the state itself is keen to support consumers and firms who want to conduct all or part of their transactions in euros as soon as possible.

Hence, individuals should be free to submit their tax statements in euros as from 2000. Because of their proximity to citizens, public authorities and public undertakings have a particular information obligation, which implies for example that dual indication of the sums received or payable should be provided for a reasonable time (at least six months) before the end of the transitional period.

7. Avoiding abuses and ensuring fair play

Consumers must be reassured that the transition to the single currency will not lead to covert increases in the prices of products and services.

While in many sectors competition will force operators to stick to the rules, one cannot rule out the emergence of unfair and abusive practices.

The public authorities should create the necessary tools to ensure proper application of the rules and to punish infringements effectively.

There is a need to establish, at different levels, observatories responsible for policing compliance with the rules, receiving complaints, ensuring front-line information and, where necessary, mediating between the players.

These observatories, made up of the various players concerned, will act as relays between consumers and public bodies responsible for monitoring and enforcing the laws.

8. The Euro: a step forward in promoting consumer interests?

The euro should facilitate comparison of products and services sold in the Union. Hence the new currency will promote trade within the Union in response to consumer demand. Consumers should also have sufficient information and protection to purchase products and services in another EU country.

The proposals of the Euro Working Group

1. Use of the euro during the transition period (01.01.1999 until the introduction of notes and coins) should be encouraged in order to familiarise consumers with the currency, enable them to adapt to it and prevent it from being considered to be the currency of business.
2. Providing consumers with information and enabling them to learn about the euro are essential for the changeover. The information must be provided in many different and relevant forms in order to meet the needs of the different types of consumer.
3. Dual pricing is one of many ways, but is necessary in order to enable consumers to adapt. If it is preferable for the large-scale issuers of invoices to mention values in euros from 1999, dual pricing must be the rule before notes and coins are introduced and during the period of dual circulation.
4. Coins should not contain any constituents that are liable to harm health.
5. Notes and coins should not bear the images of any national figures.
6. 1 January 2002 is not the right time to introduce the euro.
7. The period of dual circulation must be short (no more than three months), and the corresponding arrangements must be coordinated at European level.
8. Clear rules are needed on rounding up or down so as not to raise the suspicions of consumers.
9. It is essential to ensure that the changeover to the euro does not work against consumers' interests by means of contractual clauses.
10. Consumers must not bear the costs of the changeover to the euro. Costs will certainly be involved, but their level must be established precisely and the advantages for the professionals determined. It will be impossible to win the support of consumers if they are asked to bear the costs in the name of supposed advantages.
11. It must be possible for consumers to use the euro from 1999 onwards in banking operations.
12. Charges may not be levied for operations involving the euro.
13. Developments in prices must be checked in order to avoid hidden increases.
14. The necessary tools to ensure good application of the rules must be introduced and strengthened.
15. A euro observatory must be set up in order to address the needs and concerns of consumers, where appropriate.
16. Measures must be taken in order to ensure that consumers are suitably informed and protected. The single currency will enable better comparison of the products and services available on the European market and should lead to an increase in cross-border trade.

ANNEX 1

DATES OF MEETINGS OF THE EURO WORKING PARTY

8 Oct. 96	Meeting with the Working Group of Mint Directors
18 Nov. 96	Meeting with the Working Group of Mint Directors
21-22 Nov. 96	Meeting of the Euro Working Group
9-10 Dec. 96	Meeting of the Euro Working Group
7-8 Jan. 97	Meeting of the Euro Working Group
24 Jan. 97	Joint meeting with the CCD (organised by DG XXIII)
3-4 Feb. 97	Meeting of the Euro Working Group
5-6 March 97	Meeting of the Euro Working Group
14 March 97	Joint meeting with the CCD (organised by DG XXIII)
3-4 Apr. 97	Meeting of the Euro Working Group
24-25 Apr. 97	Meeting of the Euro Working Group
15 May 97	Round Table (organised by DG II)
2-3 June 97	Meeting of the Euro Working Group
30 June -1 July 97	Meeting of the Euro Working Group
22 July 97	Meeting of the Euro Working Group
23 July 97	Meeting of the Euro Working Group with the DG XXIII Working Party
8-9 September 97	Meeting of the Euro Working Group

ANNEX 2

LIST OF HEARINGS OF THE EURO WORKING PARTY

Thursday, 21/11/96:

Status of the euro and continuity of contracts (Mr de Bourgerel)

Friday, 22/11/96:

Technical aspects of the changeover in the banking sector (Mr Sedel)

- General aspects – monetary policy
- Changeover of payment systems
- Changeover of means of payment

Example of changeover of a bank: “La Generale de Banque”

Tuesday, 10/12/96:

The changeover of the retail trade and dual pricing

Eurocommerce (Mr Durieux)

Mouvement Leclerc (Mr Seligmann and Mr Voisin)

European Association of Cooperative Banks (Mr Guider)

European Mail Order Association (Mr Weening)

Tuesday, 7/1/97:

EUROMAT (Mr Michiels)

European Vending Association (Mr Röttinger)

British Retail Consortium (Mrs Stanton Jones)

Wednesday, 8/1/97:

Changeover of the Paris Stock Exchange (Mr Bourdillon)

Changeover of the Brussels Stock Exchange (Mr Van Dessel)

Monday, 3/2/97

Proton and the changeover in the banking sector (Banksys)

Decimalisation in the United Kingdom (Mr Moore)

Tuesday, 4/2/97:

The changeover in the insurance sector

European Insurance Committee (Mr Leglu)

GDV (Mr Knauth)

Wednesday, 5/3/97

Generali: the changeover in the insurance sector (Mr De Martino)

Electricité de France: the large public utilities (Mrs Fourier)

PRICER AB: shelf-edge labelling (Mr Wallberg and Mr Stroll)

Thursday, 3/4/97:

Visa International: payment cards (Mr Walsh)

Friday, 4/4/97:

Changeover in the public administrations (Mr Kaiser, DGII)

Friday, 25/4/97:

Psychonomics: the psychological aspects of the EMU (Mr Pepermans and Mrs Peters)

Europay: payment cards (Mr Baert)

Monday, 2/6/97:

AMUE: the changeover of the euro from the viewpoint of the firms (Mr De Maigret)

Reports on nickel allergies:

- Department of Occupational and Environmental Dermatology (Mrs Lidén)
- U.Z. Catholic University of Leuven (Mrs Goossens)
- European Federation of Asthma and Allergy Associations (Mrs Franchi)

Tuesday, 22/7/97

CRC Lille : the consumer schools (Mrs Leroy and Mrs Joly)

Presentation of the CSCV and its activities (Mrs Mader)

Wednesday, 23/7/97

Socio-economic construction and confidence in the currency's legitimacy (Mr Servet)

Psychological process of confidence building (Mr Birouste)

Development of confidence in the currency (Mr Schooneyt)

ANNEX 3

LIST OF THE MEMBERS OF THE EURO WORKING PARTY

NAME + ADDRESS	ASSOCIATION NAME	COUNTRY
Mr Pierre DEJEMEPPE Rue Haute, 28 B 1000 Bruxelles Tel : 32.2.502.52.12 / 500.52.11 Fax : 32.2.502.71.61	Centre Coopératif de la Consommation Chairman of the Group	B European Association
Mr Gérard ALEZARD rue de Paris 263 F - 93516 Montreuil Cédex Tel : 33.1.48.18.84.26 Fax : 33.1.48.18.84.82	Indecosa CGT	F
Ms. Francesca ARCIDIACO 2 Marylebone Road London NW1 4DF UK Tel : 44.171.830.6000 Fax : 44.171.830.6220	Consumers' Association	UK
Mr Patrick BARISAN Conseur S.A. Rue des Bruyères 55 L 1274 Howald Luxembourg Tel: 352.49.60.64.30 Fax: 352.49.21.19	Test-Achats	LUX
Mr D. Raimon BERGOS CIVIT Avda Republica Argentina 29º-1 E - 08023 Barcelona Tel : 34.1.417.47.37 Fax : 34.3.212.08.43	Member of the Higher Consumer Council of Spain	ES
Mr Fabrice CAMPENS rue Gantois 79 F - 59000 Lille Tel : 33.3.20.21.92.50 Fax : 33.3.20.54.18.45	Institut Européen Interrégional de la Consommation (IEIC)	F European Association
Mr André CORNEROTTE Av. du Geai 26 B 1170 Bruxelles Tel: 32.2.660.27.94 Fax: --	European Trade Union Confederation	European Association

<p>Mrs Véronique CRESPEL Place Saint-Georges 28 F - 75009 Paris Tel : 33.1.44.53.45.90 Fax : 33.1.45.96.07.88 / 33.1.46.37.14.76</p>	<p>Familles de France</p>	<p>F</p>
<p>Mrs A-M. DURAND 20, bvd Suchet F-75016 - Paris Tel: 33.1.45.04.37.34 Fax:33.1.44.54.50.66</p>	<p>COFACE</p>	<p>F European Association</p>
<p>Mrs Virginia GRAHAM Age Concern 1268 London Road London SW16 4ER Tel: 44.181.679.80.00 Fax:44.181.679.67.27</p>	<p>Eurolink Age</p>	<p>UK</p>
<p>Mr Dirk KLASSEN Heilsbachstrasse 20 D - 53123 BONN Tel : 49.228.648.90 Fax : 49.228.64.42.58</p>	<p>AgV Arbeitsgemeinschaft der Verbraucherverbände</p>	<p>D</p>
<p>Mr Joop KOOPMAN De Koppels 14 2265 DC Leidschendam Netherlands Tel: 31.70.327.35.75 Fax: 31.70.317.72.55</p>	<p>ESC Economic and Social Council</p>	<p>European Institution</p>
<p>Mr Jean-Pierre LAMIAUX 3, rue de La Rochefoucauld F 75009 Paris Tel: 33.1.44.53.73.93 Fax: 33.1.44.53.73.94</p>	<p>ADEIC-Fen</p>	<p>F</p>
<p>Mr Paolo LANDI Via Lancisi 25 00161 ROMA - ITALY Tel : 39.6.441.70.21 Fax : 39.6.441.70.230</p>	<p>Adiconsum</p>	<p>IT</p>
<p>Mr Jean-Pierre LHOEST Oeuvre Nationale des Aveugles Av. Dailly, 90-92 B 1030 - Bruxelles Tel : 32.2.241.65.68 Fax : 32.2.215.88.21</p>	<p>European Blind Union</p>	<p>B</p>

<p>Mr Martti LUUKKO Mannerheimintie 15A SF - 00260 Helsinki Tel : 358.9.45422125 Fax : 358.9.45422120 Mob : 358.40.5010742</p>	<p>Finnish Consumers' Association</p>	<p>SF</p>
<p>Mrs Reine-Claude MADER 15, Place d'Aligre F-75012 - Paris Tel : 33.1.53.17.17.15 Fax : 33.1.43.41.24.08</p>	<p>Consommation Logement Cadre de Vie Vice-Président du Groupe Vice-Chair of the Group</p>	<p>F European Association</p>
<p>Mr Jeremy MITCHELL Eglinton Crescent, 19 Edinburgh EH12 5BY UK Tel : 44.131.346.26.43 Fax : 44.131.337.20.92</p>	<p>Mrs Ann Daltrop (membre CC)</p>	<p>UK</p>
<p>Mr D. Manuel PARDOS VICENTE ADICAE C/Pizarro nº6 - 2º Izda E - 50004 Zaragona Tel : 34.976.21.21.47 / 34.976.23.89.41 Fax : 34.976.21.44.67</p>	<p>Mr Javier Angelina (membre CC)</p>	<p>ES</p>
<p>Mr Max REUTER 18, Linke Wienzeile A - 1030 - Wien Tel : 43.1.588.77.201 Fax : 43.1.588.77.73</p>	<p>Verein für Konsumentening</p>	<p>Ö European Association</p>
<p>Mrs Doris SCHNEIDER-ZUGOWSKI* Hans-Böckler Strasse 39 D - 40476 Düsseldorf Tel: 322.224.04.11 Fax: 49.211.4301.111 *Ne fait plus partie du groupe</p>	<p>ETUC European Trade Union Confederation</p>	<p>European Association</p>
<p>Mrs Katrin SCHWEREN Avenue de Tervueren, 36 bte 4 B 1040 - Bruxelles Tél: 32.2.743.15.90 Fax: 32.2.735.74.55</p>	<p>BEUC</p>	<p>B European Association</p>
<p>Mrs Turid STRÖM Maria Sandels gränd 3,5 tr S - 11269 Stockholm Tel : 46.8.406.08.60 Fax : 46.8.406.02.60 (office) 46.8.651.74.21 (home)</p>	<p>Swedish Consumer Council</p>	<p>SV</p>

<p>Mrs STROOTKER* Place du Luxembourg 1 Bruxelles Tel: 512.99.46 Fax: 512.66.73 *No longer member of the working party</p>	<p>Eurolink Age</p>	<p>B</p>
<p>Mr Chris VAN DEN HOLE 13, rue de Hollande B 1060 - Bruxelles Tel : 32.2.542.34.20 Fax : 32.2.542.32.50</p>	<p>Test Achats</p>	<p>B European Association</p>
<p>Mr Manfred WESTPHAL Heilsbachstrasse 20 D - 53123 Bonn Tel : 49.228.64.890 Fax : 49.228.64.42.58</p>	<p>AgV Arbeitsgemeinschaft der Verbraucherverbände</p>	<p>D</p>
<p>Mrs Régine YVERGNEAUX* 13, rue de Hollande B 1060 - Bruxelles Tel: 32.2.542.32.20 Fax: 32.2.542.32.50 *No longer member of the working party</p>	<p>Test Achat</p>	<p>B European Association</p>