



COMMISSION OF THE EUROPEAN COMMUNITIES

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99/0164 (CNB)

Proposal for a

**COUNCIL REGULATION (EC)**

**laying down detailed rules for the implementation of Council Regulation (EC)  
No 2494/95 as regards minimum standards for the treatment of products in the  
Health, Education and Social Protection Sectors in the Harmonized Index of  
Consumer Prices**

(presented by the Commission)

## EXPLANATORY MEMORANDUM

1. On 7 March 1997 Eurostat published the first set of Harmonized Indices of Consumer Prices (HICPs) as required by Article 5(1) (b) of Council Regulation (EC) No 2494/95. HICPs are designed for international comparisons of consumer price inflation. They form the basis of the Monetary Union Index of Consumer Prices (MUICP) used by, among others, the European Central Bank for the monitoring of inflation in the Economic and Monetary Union and the assessment of inflation convergence.
2. Under framework Council Regulation (EC) No 2494/95, the Commission has so far adopted four detailed Regulations establishing specific implementing measures governing the production of the HICP. The first, Commission Regulation (EC) No 1749/96 on initial implementing measures, covers six technical areas: initial coverage, newly significant goods and services, elementary aggregates, and minimum standards for quality adjustment, sampling and prices. The second, Commission Regulation (EC) No 2214/96, relates to the HICP and its sub-indices that are transmitted to and disseminated by Eurostat. The third, Commission Regulation (EC) No 2454/97, defines minimum standards for the quality of the weightings used to construct the HICP. The fourth, Commission Regulation (EC) No 2646/98, defines minimum standards for the treatment of tariffs in the HICP. Furthermore, under the same framework Council Regulation two implementing Council Regulations have amended Commission Regulation (EC) No 1749/96 in respect to HICP coverage. Council Regulation (EC) No 1687/98 extends the coverage of goods and services, and Council Regulation (EC) No 1688/98 extends the geographic and population coverage and gives the final definition of “Household final monetary consumption expenditure”.
3. Commission Regulation (EC) No 1749/96 as amended by Council Regulation (EC) No 1687/98, in particular Article 3 and Annex Ia thereof, lay down that extended coverage in the health, education and social protection sectors shall be implemented in December 1999 and take effect with the index for January 2000. Thereby, the methodological details of inclusion should be specified in accordance with the procedure laid down in Article 14 of the framework Council Regulation (EC) No 2494/95. The timetable of inclusion for hospital services and social protection services provided within the home, retirement homes and residences for the disabled should be specified in accordance with the same procedure.
4. This proposed Council Regulation defines the methodological details of inclusion for products in the health, education and social protection sectors, i.e. how such products should be treated in the HICP, and the timetable of inclusion for the exceptions mentioned above.

5. This proposed Regulation restates that the purchaser prices of goods and services in the health, education and social protection sectors to be used in the HICP should, in accordance with set standards<sup>(1)</sup> and ESA 1995, be the amounts to be paid by consumers net of reimbursements. The HICP sub-indices concerned should be calculated using a formula which is consistent with the Laspeyres-type formula used for other sub-indices, i.e. they should reflect the price change on the basis of the changed expenditure of maintaining the **consumption pattern** of households **and** the **composition** of the consumer population in the base or reference period.
6. In consistency with the Laspeyres principle and the relevant provisions of Commission Regulation (EC) No 2646/98 on tariff prices, this draft Regulation proposes more specifically that changes in purchaser prices which reflect changes in the rules determining them should be shown as price changes in the HICP and that changes in the purchaser prices resulting from changes in purchasers' incomes shall **also** be shown as price changes in the HICP.
7. However, the proposed Regulation makes expressly clear that during a transition period, Member States **may** use procedures which differ from those described just above on the condition that they will provide the Commission (Eurostat) with a description of the procedures chosen before such procedures are used. Member States should provide Eurostat on request with information sufficient to **assess** the operation of these procedures. Eurostat intends to include the result of this assessment in the report to be submitted by the Commission to the Council as foreseen in Article 2 of Council Regulation (EC) No 1688/98.
8. The provisions of this Regulation shall be implemented by the Member States in December 1999 and shall take effect with the index for January 2000, apart from the following, which shall be implemented in December 2000 and shall take effect with the index for January 2001:
  - a) hospital services (COICOP/HICP 06.3);
  - b) social protection services provided within the home, such as home cleaning, meals, transport for the disabled (part of COICOP/HICP 12.4.0);
  - c) retirement homes, residences for the disabled (part of COICOP/HICP 12.4.0).
9. As regards the definition and the treatment of prices, Article 4 ("Prices") in the proposal, the vote at the Working Party was taken after discussion of the relative merits attached to each of the alternative options worked out by the Task Force on the "treatment of the health, education and social protection sectors in the HICP" and the WP itself.
10. The Working Party and its Task Forces have spent many hours in numerous meetings over three years discussing the treatment of prices in the health, education and social protection sectors. All available options were discussed to a large extent at the March Working Party meeting. However, none except the proposed one seemed likely to gain the support of a majority. The proposal has obtained the agreement of almost all members of the HICP Working Party including the main users, DG II and the ECB<sup>(2)</sup>.

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<sup>(1)</sup> Commission Regulation (EC) No 1749/96 as amended by Council Regulation (EC) No 1687/98.

<sup>(2)</sup> However, the ECB has not been formally consulted yet.

Proposal for a

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Health, Education and Social Protection Sectors in the Harmonized Index of  
Consumer Prices**

**(Text with EEA relevance)**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 2494/95 of 23 October 1995 concerning harmonized indices of consumer prices<sup>(3)</sup>, and in particular Articles 4 and 5(3) thereof,

Having regard to the proposal from the Commission,

After consulting the European Central Bank<sup>(4)</sup>,

- (1) Whereas, by virtue of Article 5(1)(b) of Regulation (EC) No 2494/95, each Member State is required to produce a Harmonized Index of Consumer Prices (HICP) starting with the index for January 1997;
- (2) Whereas Commission Regulation (EC) No 1749/96<sup>(5)</sup> as amended by Council Regulations (EC) No 1687/98<sup>(6)</sup> and (EC) No 1688/98<sup>(7)</sup> defines the coverage of the HICP as those goods and services which are included in household final monetary consumption expenditure; whereas goods and services in the health, education and social protection sectors are part of the coverage of the HICP; whereas household final monetary consumption covers the expenditure incurred by individuals living in institutional households;

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<sup>(3)</sup> OJ L 257, 27.10.1995, p. 1.

<sup>(4)</sup> Opinion delivered on ...

<sup>(5)</sup> OJ L 229, 10.9.1996, p. 3.

<sup>(6)</sup> OJ L 214, 31.7.1998, p. 12.

<sup>(7)</sup> OJ L 214, 31.7.1998, p. 23.

- (3) Whereas, by virtue of Commission Regulation (EC) No 1749/96, in particular Article 3 and Annex Ia thereof, extended coverage in the health, education and social protection sectors should be implemented in December 1999 and take effect with the index for January 2000, whereby the methodological details of inclusion should be specified in accordance with the procedure laid down in Article 14 of the framework Council Regulation (EC) No 2494/95; whereas the timetable of inclusion for hospital services and social protection services provided within the home, retirement homes and residences for the disabled should be specified in accordance with the same procedure;
- (4) Whereas there is considerable scope for procedural differences in the treatment of goods and services in the health, education and social protection sectors in the HICP; whereas a harmonized methodology for such goods and services is necessary to ensure that the resulting HICPs meet the comparability requirement as laid down in Article 4 of Regulation (EC) No 2494/95;
- (5) Whereas the treatment of goods and services in the health, education and social protection sectors is consistent with the definitions laid down in the European System of Accounts (ESA) 1995<sup>(8)</sup>;
- (6) Whereas the Statistical Programme Committee (SPC) has not delivered an opinion within the time limit set by its chairman; whereas, in this case, following the procedure laid down in Article 14(2) of Regulation (EC) No 2494/95, the Commission has to, without delay, submit to the Council a proposal relating to the measures to be taken,

HAS ADOPTED THIS REGULATION:

#### *Article 1*

##### **Aim**

The aim of this Regulation is to set minimum standards for the treatment of goods and services in the health, education and social protection sectors in the Harmonized Indices of Consumer Prices (HICPs) in order to ensure that they are reliable and relevant and meet the comparability requirements as laid down in Article 4 of Regulation (EC) No 2494/95.

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<sup>(8)</sup> Council Regulation (EC) No 2223/96 (OJ L 310, 13.10.1996).

## *Article 2*

### **Definition**

1. **Reimbursements** refer to payments to households by government units, social security administrations or non-profit institutions serving households (NPISHs), that are made as direct consequences of purchases of individually specified goods and services, initially paid for by households.
2. Payments of claims to households by insurance companies do not constitute reimbursements.
3. Other payments or rebates to households by government units, social security administrations or non-profit institutions serving households (NPISHs) in the form of assistance to reduce household expenditure, such as housing allowances to tenants or payments due to sickness, disability, the care of elderly relatives or scholarships to students, are considered as social benefits in cash. They are treated as income transfers to households and do not constitute reimbursements.

## *Article 3*

### **Coverage**

1. Goods and services in the health, education and social protection sectors on which household final monetary consumption expenditure is incurred shall be covered in the HICP and grouped in accordance with the COICOP/HICP as laid down in Commission Regulation (EC) No 2214/96 of 20 November 1996 concerning harmonized indices of consumer prices: transmission and dissemination of sub-indices of the HICP<sup>(9)</sup>.
2. All providers of goods and services in the health, education and social protection sectors, such as government and private institutions, NPISHs or private self-employed persons, shall be covered in the HICP independently of their status. This excludes individuals or groups of individuals as producers of goods and non-financial services exclusively for own final use.
3. In accordance with COICOP/HICP, Education (Division 10) includes education services only. If an all-inclusive price is charged for education services in combination with educational materials or education support services, its components shall be separated and allocated to the COICOP/HICP classes concerned. Where such an all-inclusive price cannot be

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<sup>(9)</sup> OJ L 296, 21.11.1996, p. 8.

separated into the prices of the components concerned, the all-inclusive price shall be allocated to COICOP/HICP Division 10.

4. Borderline cases between education services at the pre-primary level and child-minding social protection facilities, such as wet-nurses, crèches and play-schools, shall be allocated to COICOP/HICP Division 10 if the child's age of entry is not less than three years and the activities consist of organised instruction in a school-type environment designed to bridge the gap between the home and school atmosphere. If, on the other hand, the main objective is not a pedagogical one, but to provide child-minding assistance and support, the service concerned should be allocated to COICOP/HICP class 12.4.0.
5. Where hospitals, in addition to basic services as defined in COICOP/HICP 06.3, make other goods or services available to in-patients on a separate charge basis, the latter shall not be allocated to class 06.3.0, but to the COICOP/HICP classes concerned.

#### *Article 4*

#### **Prices**

1. The HICP sub-indices concerned shall be calculated using a formula which is consistent with the Laspeyres-type formula used for other sub-indices. They should reflect the price change on the basis of the changed expenditure of maintaining the consumption pattern of households and the composition of the consumer population in the base or reference period.
2.
  - (a) The purchaser prices of goods and services in the health, education and social protection sectors to be used in the HICP shall be the amounts to be paid by consumers net of reimbursements.
  - (b) Changes in purchaser prices which reflect changes in the rules determining them shall be shown as price changes in the HICP.
  - (c) Where purchaser prices are index-linked, changes resulting from changes in the index shall be shown as price changes in the HICP.
  - (d) Changes in the purchaser prices resulting from changes in purchasers' incomes shall be shown as price changes in the HICP.
3. Where quality changes, prices should be treated according to the rules applied in the context of specification changes, and in particular those regarding quality adjustment pursuant to Article 5 of Commission Regulation (EC) No 1749/96.
4. Where a good or service, in the education, health and social protection sectors, has been made available to consumers free of charge and subsequently an actual price is charged, the change from zero to an actual price, and vice versa, shall be reflected in the HICP.

5. Where goods or services in the education, health and social protection sectors, jointly provided with other goods and services, have been made available to consumers free of charge and subsequently are charged for on a separate basis, the change shall be reflected in the HICP.
6. Where relevant, the procedure provided for in Article 5 of Commission Regulation (EC) No 2646/98<sup>(10)</sup> concerning tariffs shall apply *mutatis mutandis*.

#### *Article 5*

#### **Basic information**

The basic information shall be all purchaser prices of goods and services in the health, education and social protection sectors and their components, together with weightings which reflect the level, the timing and the structure of the consumption of such goods or services, according to the price-determining socio-economic characteristics.

#### *Article 6*

#### **Data sources**

1. The HICP sub-indices concerned shall be computed by the Member States from basic information as defined in Article 5.
2. The statistical units, such as government agencies, social administrations or NPISHs, called upon by the Member States to cooperate in the collection or provision of basic information are obliged to give honest and complete information at the time it is requested and allow the organisations and institutions responsible for compiling official statistics, on request, to obtain information at the level of detail necessary to evaluate compliance with the comparability requirements and the quality of the HICP sub-indices.

#### *Article 7*

#### **Comparability**

HICPs constructed following the procedures described in Articles 4 and 5 of this Regulation or following other procedures which do not result in an index which differs systematically by more than one tenth of one percentage point on average over one year against the previous year from an index compiled following those procedures, shall be deemed comparable.

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<sup>(10)</sup> JO L 335, 10.12.1998, p. 30.



## *Article 8*

### **Quality control**

1. Member States may use procedures which differ from those specified in Articles 4 and 5 of this Regulation, on condition that they provide the Commission (Eurostat) with a description of the procedures chosen for the treatment of goods and services in the health, education and social protection sectors before such procedures are applied.
2. Member States shall provide the Commission (Eurostat), on request, with sufficient information to assess the operation of the procedures laid down in Articles 4 and 5 of this Regulation. The result of this assessment shall be included in the report to be submitted by the Commission to the Council as provided for in Article 2 of Council Regulation (EC) No 1688/98.

## *Article 9*

### **Implementation**

The provisions of this Regulation shall be implemented by the Member States in December 1999 and shall take effect with the index for January 2000, apart from the following, which shall be implemented in December 2000 and shall take effect with the index for January 2001:

- a) hospital services (COICOP/HICP 06.3);
- b) social protection services provided within the home, such as home cleaning, meals, transport for the disabled (part of COICOP/HICP 12.4.0);
- c) retirement homes, residences for the disabled (part of COICOP/HICP 12.4.0).

## *Article 10*

### **Entry into force**

This Regulation shall enter into force on the twentieth day following its publication in the *Official Journal of the European Communities*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

*For the Council*

*The President*

## FINANCIAL STATEMENT

**1. TITLE OF OPERATION**

**Council Regulation (EC) laying down detailed rules for the implementation of Council Regulation (EC) No 2494/95 as regards minimum standards for the Treatment of Products in the Health, Education and Social Protection Sectors in the Harmonized Index of Consumer Prices**

**2. BUDGET HEADING INVOLVED**

Article B5-6000.

**3. LEGAL BASIS**

Council Regulation (EC) No 2494/95.

**4. DESCRIPTION OF OPERATION**

**4.1 General objective**

The aim of the Council Regulation is to expedite the programme of work leading to Harmonized Indices of Consumer Prices (HICPs) in line with the requirements of the Treaty establishing the European Community. HICPs form the basis of the Monetary Union Index of Consumer Prices (MUICP) used by, among others, the European Central Bank for the monitoring of inflation in the Economic and Monetary Union. Council Regulation (EC) No 2494/95 provides the framework for detailed Commission Regulations requiring Member States to produce HICPs according to concepts methods and practices which have been proposed by the Working Party<sup>(1)</sup> on CPI Harmonization and approved by the Statistical Programme Committee following the Regulatory Committee procedure.

Commission Regulation (EC) No 1749/96 of 9 September 1996 gives measures on initial coverage, treatment of newly significant goods and services, minimum standards for procedures of quality adjustment, minimum standards for prices, price indices for elementary aggregates, and minimum standards for sampling.

Commission Regulation (EC) No 2214/96 of 20 November 1996 defines the sub-indices of the HICPs which are produced, transmitted and disseminated each month starting with the index for January 1997.

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<sup>(1)</sup> Group of experts.

Commission Regulation (EC) No 2454/97 of 10 December 1997 defines minimum standards for the quality of the weightings used in the computation of the HICP.

Council Regulation (EC) No 1687/98 of 20 July 1998 amends Commission Regulation (EC) No 1749/96 with respect to the coverage of goods and services of HICPs starting from December 1999.

Council Regulation (EC) No 1688/98 of 20 July 1998 amends Commission Regulation (EC) No 1749/96 with respect to the geographic and population coverage of the Harmonized Index of Consumer Prices starting from December 1999.

The Commission Decision of 9 September 1996 [ref. No C(96)2452] provided for the funding of part of the additional costs to Member States due to implementing the above mentioned standards.

Commission Regulation (EC) No 2646/98 of 9 December 1998 lays down detailed rules for the implementation of Council Regulation (EC) No 2494/95 as regards minimum standards for the treatment of tariffs in the Harmonized Index of Consumer Prices.

Commission Regulation (EC) No 1749/96 as amended by Council Regulation (EC) No 1687/98, in particular Article 3 and Annex Ia thereof, lay down that extended coverage in the health, education and social protection sectors shall be implemented in December 1999 and take effect with the index for January 2000. Thereby, the methodological details of inclusion should be specified in accordance with the procedure laid down in Article 14 of the framework Council Regulation (EC) No 2494/95. The timetable of inclusion for hospital services and social protection services provided within the home, retirement homes and residences for the disabled should be specified in accordance with the same procedure.

This proposed Council Regulation defines the methodological details of inclusion for products in the health, education and social protection sectors, i.e. how such products should be treated in the HICP, and the timetable of inclusion for the exceptions mentioned above.

In parallel, consultation is proceeding on a draft Commission Regulation amending Commission Regulation (EC) No 2214/96, concerning the sub-indices of the Harmonized Index of Consumer Prices. Furthermore a draft Commission Regulation laying down detailed rules for the treatment of insurance in the Harmonized Index of Consumer Prices and modifying Commission Regulation (EC) No 2214/96 is about to be sent to the Secretariat General to initiate the written procedure.

## **4.2 Period covered and arrangements for renewal**

The framework Council Regulation requires an implementation in stages of progressive harmonization. The first, in February 1996, involved minimal resources and was based almost entirely on existing Consumer Price Indices (CPIs). The second, in January 1997, involved substantial resources. The third, in December 1999, will also involve substantial resources. The inclusion of health, education and social protection services is part of this third stage of harmonization following Commission Regulation (EC) No 1749/96 as amended by the two Council Regulations (EC) No 1687/98 and (EC) No 1688/98 concerning extended coverage. The financial statement of those two amending Regulations already dealt with the financial impact of extended coverage in general. This proposed Council Regulation defines the methodological details of inclusion for products in the health, education and social protection sectors, i.e. how such products should be treated in the HICP, and the timetable of inclusion for the exceptions mentioned above.

## **5. CLASSIFICATION OF EXPENDITURE OR REVENUE**

DNO: CD.

## **6. TYPE OF EXPENDITURE OR REVENUE**

Subvention co-financing (66.6%) with national administrations;

Administrative expenditure - see paragraph 10.

## **7. FINANCIAL IMPACT**

### **7.1 Method of calculating total cost of operation (relation between individual and total costs)**

The proposed Regulation is necessary to achieve comparable measures of inflation, which form the basis of the Monetary Union index of consumer prices (MUICP) for monitoring inflation in the Economic and Monetary Union from January 1999. Some Member States are better equipped to handle the necessary system changes than others do.

The financial impact of the third stage that is to be implemented from December 1999 is almost exclusively due to the extension of product, population and geographic coverage in general. This proposed Council Regulation deals only with the treatment of prices for products in the health, education and social protection sectors. Although some Member States have indicated that they might have to deal with additional costs as a consequence of the proposed treatment, there is no evidence for a significant financial impact due to the specific treatment proposed. In accordance with Article 13 of Council Regulation (EC)

No 2494/95 Member States would not be obliged to implement the draft Regulation unless the Commission (Eurostat) bears two-thirds of the additional costs until the end of the second year of implementation of the measures. However, the order of the total cost for extending the HICP coverage as presented in the financial statements of Council Regulations (EC) No 1687/98 and (EC) No 1688/98, about 1.4 million €, should be sufficient to cover the additional cost of the proposed operation.

## **7.2 Itemised breakdown of cost**

Member States may produce a breakdown of the costs of their action as part of the process of allocating available budget resource.

## **8. FRAUD PREVENTION MEASURES**

Specific arrangements with Member States will be set in place to ensure that appropriate actions are undertaken and properly accounted for.

## **9. ELEMENTS OF COST-EFFECTIVENESS ANALYSIS**

### **9.1 Specific and quantified objectives; target population**

*Specific objectives:*

Improved and comparable indices of consumer prices.

*Target population:*

Users of price indices in Member States will benefit from improved measures. HICPs form the basis of the Monetary Union Index of Consumer Prices (MUICP) used by, among others, the European Central Bank for the monitoring of inflation in the Economic and Monetary Union.

### **9.2 Grounds for the operation**

The framework Council Regulation (EC) No 2494/95 should lead to improved reliability, relevance and international comparability of the consumer price indices of Member States. It should also lead to a sharing of expertise on the compilation of consumer price indices between Member States.

*Main factor of uncertainty:*

The framework Council Regulation provides only a framework within which many technical details must be resolved in collaboration with Member States.

### 9.3 Monitoring and evaluation of the operation

The implementing measures provide for extensive monitoring and the development of appropriate performance indicators by means of questionnaires and Eurostat audit missions (see below for costs).

The Council Regulation (EC) No 2494/95 provides for a review by November 1997 and again by November 1999. The 1997 review was submitted to the Council of Ministers as document COM(1998)104 final. Council Regulation (EC) No 1687/98 provides for another review to the Council which shall assess the operation of especially the household final monetary consumption concept in relation to relevant alternative concepts.

## 10. ADMINISTRATIVE EXPENDITURE (SECTION III, PART A OF THE BUDGET)

Actual mobilisation of the necessary administrative resources will depend on the Commission's annual decision on the allocation of resources, taking into account the number of staff and additional amounts authorised by the budgetary authority.

### 10.1 Effect on the number of posts

Type of post		Staff to be assigned to managing the operation		Source		Duration
		Permanent posts	Temporary posts	Existing resources in the DG or department concerned	Additional resources	
Officials or temporary staff	A	3½		3½		3 years
	B	2		2		
	C	1		1		
Other resources E.N.D. (A-7003)		1		1		
Total		7½		7½		

The annual cost of existing resources is:

$$\text{Officials (*)} = 108.000 \times 6\frac{1}{2} \times 3 \text{ years} = 2.106.000 \text{ Euro}$$

$$\text{E.N.D (A-1178)} = 37.000 \times 3 \text{ years} = 111.000 \text{ Euro}$$

(\*) By using existing resources assigned to manage the operation (for officials the calculation is based on titles A-1, A-2, A-4, A-5 and A-7)

## 10.2 Overall financial impact of additional human resources

None.

## 10.3 Increase in other administrative expenditure as a result of the operation

Budget heading	Amounts	Method of calculation
A-7031 Working groups of the Statistical Programme Committee	72.000 €	4 meetings at 6 K € covering delegates expenses (× 3 years)
A-701 Mission expenses for audit missions to Member States	95.000 €	Audit missions to 10 Member States for three days at 120 € per day + fares (× 3 years)
Total	167.000 €	

The increase in “other administrative expenditure” is a result of the harmonization as such and has been also treated in the financial statements for Council Regulations (EC) No 1687/98 and (EC) No 1688/98.

## **THE IMPACT OF THE PROPOSAL ON BUSINESS**

### **WITH SPECIAL REFERENCE TO SMALL AND MEDIUM SIZED ENTERPRISES (SMEs)**

#### **TITLE OF PROPOSAL:**

Proposal for Council Regulation (EC) laying down detailed rules for the implementation of Council Regulation (EC) No 2494/95 as regards minimum standards for the Treatment of Products in the Health, Education and Social Protection Sectors in the Harmonized Index of Consumer Prices

**DOCUMENT REFERENCE NUMBER: 99009**

#### **THE PROPOSAL:**

##### **1. Taking account of the principle of subsidiarity why is Community legislation necessary in this area and what are the main aims?**

The aim is to expedite a programme of work leading to Harmonized Indices of Consumer Prices (HICPs) in line with the requirements of the Treaty establishing the European Community. HICPs are designed for international comparisons of consumer price inflation. They form the basis of the Monetary Union Index of Consumer Prices (MUICP) to be used by, among others, the European Central Bank for the monitoring of inflation in the Economic and Monetary Union and the assessment of inflation convergence.

Council Regulation (EC) No 2494/95 provides the framework for detailed Commission Regulations requiring Member States to produce HICPs according concepts methods and practices which have been proposed by the HICP Working Party<sup>(12)</sup> and approved by the Statistical Programme Committee following the Regulatory Committee procedure. In accordance with Article 5(3) of the HICP Council Regulation, implementing measures are necessary for ensuring comparability of HICPs and for maintaining and improving their reliability. So far the Commission has adopted four detailed Regulations establishing specific statistical standards governing the production of the HICP. The first, Commission Regulation (EC) 1749/96 on initial implementing measures, covers six technical areas: initial coverage, newly significant goods and services, elementary aggregates, and minimum standards for quality adjustment, sampling and prices. The second, Commission Regulation (EC) No 2214/96, relates to the HICP and its sub-indices that will be transmitted to and disseminated by Eurostat. The third, Commission Regulation (EC) No 2454/97, defines minimum standards for the quality of the weights used to construct the HICP. The fourth, Commission Regulation (EC) No 2646/98, defines minimum standards for the treatment of tariffs in the HICP.

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<sup>(12)</sup> Group of experts



Furthermore, under the same framework Council Regulation two implementing Council Regulations have amended Commission Regulation (EC) No 1749/96 in respect to HICP coverage. Council Regulation (EC) No 1687/98 extends the coverage of goods and services, and Council Regulation (EC) No 1688/98 extends the geographic and population coverage and gives the final definition of “household final monetary consumption expenditure”.

On 7 March 1997 Eurostat published the first set of Harmonized Indices of Consumer Prices (HICPs) as required by Article 5 (1) (b) of Council Regulation (EC) 2494/95. HICPs are designed for international comparisons of consumer price inflation. They form the basis of the Monetary Union Index of Consumer Prices (MUICP) used by, among others, the European Central Bank for the monitoring of inflation in the Economic and Monetary Union and the assessment of convergence.

Commission Regulation (EC) No 1749/96 as amended by Council Regulation (EC) No 1687/98, in particular Article 3 and Annex Ia thereof, lay down that extended coverage in the health, education and social protection sectors shall be implemented in December 1999 and take effect with the index for January 2000. Thereby, the methodological details of inclusion should be specified in accordance with the procedure laid down in Article 14 of the framework Council Regulation (EC) No 2494/95. The timetable of inclusion for hospital services and social protection services provided within the home, retirement homes and residences for the disabled should be specified in accordance with the same procedure.

This proposed Council Regulation defines the methodological details of inclusion for products in the health, education and social protection sectors, i.e. how such products should be treated in the HICP, and the timetable of inclusion for the exceptions mentioned above.

This proposed Regulation restates that the purchaser prices of goods and services in the health, education and social protection sectors to be used in the HICP should, in accordance with set standards<sup>(13)</sup> and ESA 1995, be the amounts to be paid by consumers net of reimbursements. The HICP sub-indices concerned should be calculated using a formula which is consistent with the Laspeyres-type formula used for other sub-indices, i.e. they should reflect the price change on the basis of the changed expenditure of maintaining the **consumption pattern** of households **and** the **composition** of the consumer population in the base or reference period.

In consistency with the Laspeyres principle and the relevant provisions of Commission Regulation (EC) No 2646/98 on tariff prices, this draft Regulation proposes more specifically that changes in purchaser prices which reflect changes in the rules determining them should be shown as price changes in the HICP and that changes in the purchaser prices resulting from changes in purchasers' incomes shall **also** be shown as price changes in the HICP.

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<sup>(13)</sup> Commission Regulation (EC) No 1749/96 as amended by Council Regulation (EC) No 1687/98.

However, the proposed Regulation makes expressly clear that during a transition period, Member States **may** use procedures which differ from those described just above on the condition that they will provide the Commission (Eurostat) with a description of the procedures chosen before such procedures are used. Member States should provide Eurostat, on request, with information sufficient to **assess** the operation of these procedures. Eurostat intends to include the result of this assessment in the report to be submitted by the Commission to the Council as foreseen in Article 2 of Council Regulation (EC) No 1688/98.

The provisions of this Regulation shall be implemented by the Member States in December 1999 and shall take effect with the index for January 2000, apart from the following, which shall be implemented in December 2000 and shall take effect with the index for January 2001:

- a) hospital services (COICOP/HICP 06.3);
- b) social protection services provided within the home, such as home cleaning, meals, transport for the disabled (part of COICOP/HICP 12.4.0);
- c) retirement homes, residences for the disabled (part of COICOP/HICP 12.4.0).

#### **THE IMPACT ON BUSINESS:**

#### **2. Who will be affected by the proposal?**

- *which sector of business*

HICPs are compiled using weights and prices sampled from all businesses providing goods and services for the direct satisfaction of consumer needs within the scope of household final monetary consumption expenditure. This Regulation targets the treatment of goods and services in the education, health and social protection sectors. In fact both, the extension to HICP coverage to cover household final monetary consumption expenditure and the concept of “purchaser prices” have been established by Commission Regulation (EC) No 1749/96 as amended by Council Regulations (EC) Nos 1687/98 and 1688/98. This proposed Regulation defines the methodological details of inclusion for products in the health, education and social protection sectors, i.e. how such products should be treated in the HICP, and the timetable of inclusion for the exceptions mentioned above. Although the proposed Regulation might involve new data collection in some Member States it is not expected to have a significant impact on small and medium sized enterprises beyond the additional data collection that may have been imposed by Council Regulation (EC) No 2494/95. A large part of the goods and services which will be added to the HICP are provided by the government sector. In general the participation in such surveys is on voluntary basis.

- *which size of business? (what is the concentration of small and medium sized firms?)*

The size of the businesses is only relevant to the extent that the prices collected should correctly reflect the price development of all businesses within the concept of household final monetary consumption expenditure. In principle, prices should be collected in businesses of all sizes of suppliers of the goods and services concerned. According to the principle of subsidiarity, the sample of suppliers of education, health and social protection services as for other goods and services covered by the HICP is defined by the National Statistical Institutes.

- *are there any particular geographic areas of the EU where these businesses are found?*

The geographic area is only relevant to the extent that the collected prices should correctly reflect the price development in the whole economic territory of the Member States within the concept of household monetary consumption expenditure. All Member States of the European Union, Norway and Iceland are concerned.

### **3. What will business have to do to comply with the proposal?**

National Statistical Institutes send out price collectors to the suppliers. However, statistical units, such as government agencies, social administrations or NPISHs, called upon by the Member States to co-operate in the collection or provision of basic information are obliged to give honest and complete information at the time it is requested and allow the organisations and institutions responsible for compiling official statistics, on request, to obtain information at the level of detail necessary to evaluate compliance with the comparability requirements and the quality of the HICP sub-indices.

### **4. What economic effect is the proposal likely to have?**

- *on employment?*
- *on investment and the creation of new businesses?*
- *on the competitive position of businesses?*

An indirect effect, in so far as the HICPs allow international comparisons of consumer price inflation. They provide the statistical basis for compiling the Monetary Union Index of consumer prices (MUICP), which is the main indicator for monetary policy of the European Central Bank. A single and stable currency is an important step to advance European integration and to promote economic progress with important impact on employment, investment and competition.

**5. Does the proposal take account of the specific situation of small and medium-sized firms (reduced or different requirements etc.)?**

The proposed Regulation is not expected to have a significant impact on small and medium sized enterprises beyond the additional data collection that may have been imposed by Council Regulation (EC) No 2494/95. According to the principle of subsidiarity, the sample of suppliers of insurance services as for other goods and services covered by the HICP is defined by the National Statistical Institutes.

**CONSULTATION:**

**6. List the organisations which have been consulted about the proposal and outline their main views.**

DG II of the Commission, the European Central Bank, and the Central Banks of Member States are participating actively in the meetings of the Working Party<sup>(14)</sup> on CPI Harmonization and its Task Forces.

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<sup>(14)</sup> Group of experts

## **COMPLEMENTARY STATEMENT CONCERNING EFTA COUNTRIES**

**Title : Proposal for Council Regulation (EC) laying down detailed rules for the implementation of Council Regulation (EC) No 2494/95 as regards minimum standards for the Treatment of Products in the Health, Education and Social Protection Sectors in the Harmonized Index of Consumer Prices**

### **Impact on EFTA countries**

EFTA countries have been involved in discussions of the Statistical Programme Committee and the Working Party on the Harmonization of Consumer Price Indices. They are fully aware of the proposals for a Regulation and their views have been taken into account in preparing this proposal. They intend to compile Harmonized Indices of Consumer Prices (HICPs) in accordance with this Regulation.