



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 31.10.1995  
COM(95) 519 final

COMMUNICATION FROM THE COMMISSION

# **PRIORITIES FOR CONSUMER POLICY**

**1996 - 1998**

## Introduction

The first and second three-year action plans ensured a necessary concentration of effort on addressing the issues which were important to consumers being able to participate in and benefit from the development of the Internal Market. While it remains necessary to complete the work done by ensuring the final adoption and implementation of all the measures proposed it is important at this stage to face up to other questions and problems which confront consumers, building on what has been achieved but which are not exclusively linked to the Internal Market.

The insertion of Article 129A into the Treaty clearly requires the European Community to deal with the broad range of consumer issues, not just those related to the Internal Market project. This obligation implies careful consideration of subsidiarity at all stages so that appropriate solutions vis-à-vis Member States are adopted.

From the work which has been done and the ability of the Commission to identify more clearly the persistent causes of consumer difficulty it is possible now to direct attention to a variety of subjects which need to be tackled if the European Community is to fulfil its responsibility.

The present priorities for Consumer Policy are not intended to spell out each individual action which might be undertaken, that is rather the role of Commission Work Programmes. The objective is to present the selected priorities for work over the next three years, so that it is clearly understood what direction the policy will take and how the limited resources available will be deployed. Some of the priority areas are so new and complex that it would not be realistic to sketch out the precise consequences or actions needed. It is intended to adjust priorities within such subjects as it becomes clearer what options are available.

## Strategy

Consumer interests are very broad and diverse. Virtually every policy in the European Community has some significance for consumers. Faced with this situation and given the

resources available for redeployment, the Commission must choose priorities from a range of options. In the two preceding Action Plans, the choice of priority was clearly the Internal Market and the essential work necessary to enable consumers participate effectively in its operation. The completion of the work set in motion must be maintained and corrective measures must be considered where problems arise.

The choices now are based on three considerations:

- 1) Consumers face immediate problems which need to be addressed. Consumer concerns about public services, financial services, and food safety are evident. Questions raised are, since the introduction of Article 129A, broader than the Internal Market dimension. The need for information and education of consumers has been apparent for some time now but very limited action has been taken to face up to these needs. Since consumers' ability to 'self protect' is fundamentally linked to knowledge, it is indeed imperative to endeavour to improve this aspect considerably.
- 2) The major technological change which is leading to the Information Society has the capacity to transform conditions for most people. Efforts, including education and training, will be intensified to help consumers adapt to this new reality so that they can benefit fully from it. Already significant measures have been initiated since it is recognised that consumer participation will be crucial to success.
- 3) Just as consumer policy was directed over the last six years towards contributing to the success of the major European Community goal of completing the Internal Market so also the policy should now adjust to the major objectives now in focus. The objectives of achieving European Monetary Union, to continue to develop sustainable patterns of development and consumption as well as the prospect of enlargement of the Union to PECO countries have become central to the European Community. Further efforts are needed to find ways in which consumer policy can contribute to the attainment of these goals.

**Priorities for Action**

1. ***A major effort to improve the education and information of consumers.***
2. ***Complete, review and maintain up to date the framework needed to ensure that consumers' interests are fully taken into account in the Internal Market.***
3. ***The consumer aspects of financial services.***
4. ***The protection of consumers' interests in the supply of essential services of public utility.***
5. ***Measures to enable consumers to benefit from the opportunities presented by the Information Society.***
6. ***Measures to improve consumer confidence in Foodstuffs.***
7. ***Encouragement of a practical approach to sustainable consumption.***
8. ***Strengthening and increasing consumer representation.***
9. ***Assist Central and Eastern European countries to develop consumer policies.***
10. ***Consumer policy considerations in developing countries.***

## **I. A major effort to improve the information and education of consumers**

Inadequate information lies at the root of many consumer problems so if proper information can be presented many consumer difficulties can be overcome. It might be assumed that the explosion of information services being experienced now eases the consumers' problem. The reality is that it complicates matters for consumers who have growing difficulty in choosing the appropriate and relevant material to enable them to select the goods and services they need.

Ways of stimulating independent research through universities and other centres of excellence need to be considered to ensure that expert knowledge is developed on a variety of consumption issues.

The market conditions in all Member States have changed because of the major work undertaken to develop the Internal Market. Unless consumers are sufficiently aware of the changes they will be disadvantaged. The job of enforcement and monitoring by public authorities is rendered more difficult if consumers are not alert and ready to point out failures in the market place. Member States have a crucial role to play in consumer information and the Commission intends to complement and support that work.

The foundations of this work have been laid and considerable expertise and "know how" has been developed. The major challenge now is to achieve wide-scale projection of key information so that the maximum effect of the changes can be achieved. This requires major use of electronic and audio-visual media. The benefit which will accrue will not just have a market effect but also public attitudes to the European Community in general will be greatly improved as realisation of the relevance of its work to citizens' well-being sinks in.

Information supply alone will not be sufficient to meet the consumers needs. Unless serious efforts are made through targetted consumer education from early school years, to develop understanding of a range of subjects from nutrition and health to how markets work, many consumers will not be able to navigate with confidence through modern markets. The role which education can play in the drive towards sustainable consumption or in preparing for the

information society is of fundamental importance. Without an adequate approach being developed, it must be expected that consumer suspicions will inhibit their participation in such projects. If sophisticated supply is to be possible, it must be matched by equally sophisticated demand.

Responsibility for consumer education rests clearly with the Member States. The Commission has a responsibility to focus attention on this need and to complement and assist in an appropriate manner.

2. **Complete, review and maintain up to date the framework needed to ensure that consumers' interests are fully taken into account in the Internal Market**

The Commission will ensure that Internal Market legislation adopted is properly implemented. Based on the experience of its operation, and coherently with the principle of subsidiarity, the Commission will assess the opportunity of reviewing and adjusting such legislation. The Commission will be considering appropriate action in response to the Green Paper on Access to Justice and Guarantees as an important contribution to completing the Internal Market from a consumer viewpoint.

3. **The consumer aspects of financial services**

The Internal Market for financial services is notable for the creation of a level playing field for financial institutions, allowing freedom to market services cross-border and liberalising the requirements on the establishment of a branch in another Member State. This provides for increased competition, choice and innovations which help consumers. Other legislation also provides important safeguards for consumers.

However, consumer associations report dissatisfaction with aspects of financial services purchases. They are faced with diversified and complex services and frequently lack adequate information about these to help them choose what is best for them. They also find it difficult to get independent advice. The exclusion by the Council of financial services from the scope of the Distance Selling Directive raises concerns which must be addressed. In particular the

absence of a cooling-off period to consider the suitability of the contract for non-life insurance has led to numerous complaints from consumers.

The Commission report on Consumer Credit (Directive 87/102/EEC) highlighted some problems and recent developments in the functioning of the market for consumer credit in the European Community Member States and opened the discussion with interested parties. The Commission intends to examine further the functioning of the consumer credit market and notably the role of credit intermediaries. In this context particular interest will be paid to the question of overindebtedness. Consumer related aspects of mortgage credit will also be addressed.

One aspect of major concern for consumers is the use of means of payment. As regards payment cards, consumer research and studies showed that in most Member States the Recommendation on Payment Systems (88/590/EEC) is not fully implemented. Various other aspects of payment cards (conditions of use, prices) need to be taken into account.

The consumer dimension in the process of preparing for transition to the Single Currency is crucial. As the Commission has indicated in its Green Paper consumer confidence in all aspects of this process is vital. Consumer organisations have a key role to play in achieving this and they need to be consulted and involved at all stages.

#### **4. The protection of consumers' interests in the supply of essential services of public utility**

Essential services of public utility have to meet the needs of the citizen. The Commission has made considerable efforts to accelerate the liberalisation of essential services of public utility. The introduction of competition in these services will have a positive impact for consumers. The Commission is conscious that consumers are vitally concerned that adequate guarantees of universal service are provided and will continue to ensure that appropriate provision is made to achieve this.

While continuing to press for liberalisation to increase efficiency and to reduce prices to the

benefit of consumers, the Commission will be concerned to ensure that the quality of service is improved and enhanced particularly for groups of consumers who are in a weak position and therefore very dependent on such services.

The Commission will publish a Green Paper on transport entitled "Citizens' Network" which will take account of key consumer concerns.

5. **Measures to enable consumers to benefit from the opportunities presented by the information society**

The potential benefits to consumers from the development of the information society are great. The variety of applications open up new service possibilities for consumers. The Market is becoming global in scope.

The Commission has already, in its Action Plan "Europe's Way to the Information Society" and the creation of an Information Society Forum and an expert group on the social and societal aspects of the information society, taken steps to address its development. Some important legislation has also been proposed such as the ONP Voice Telephony, Data Protection and Distance Selling draft directives.

Many consumers will want to avail themselves of this opportunity and the Commission intends to ensure that this aspiration becomes a reality. However, this is a complex area because the various developments grouped under the title of "information society" cover a wide range of consumer activity. Continuous specialised observation of developments in this area from a consumer perspective will be required to ensure maximum consumer benefit.

Particular attention needs to be focussed on the following key points:

- access to the system. There is a need to ensure that everyone who wants to can draw benefit from this development;
- new consumer skills will be needed: special education and training efforts will be required;
- electronic shopping malls - should prove very attractive to consumers providing that



secure payment systems can be developed.

The globalisation of supply which the information society heralds calls for a comparable adjustment in the regulatory system. This adaptation will be of critical importance to consumers' willingness to participate and it needs to be addressed quickly. The Commission should continue to examine the actual and potential consequences of the Information Society for the Internal Market and promote any appropriate action, taking into account consumer needs and Global Market implications.

Special assistance may be needed to encourage Consumer Organisations to change to take advantage of the opportunity afforded to them by this new society. New forms of cooperation on a global basis between such organisations should be encouraged so that the presence of assistance for consumers is guaranteed from the start.

#### **6. Measures to improve consumer confidence in foodstuffs**

Consumer group studies raise questions about the effectiveness of the food safety/purity control system. Public authorities throughout the European Community operate a system of controls designed to assure that food on the market is wholesome. Weaknesses in the system of control of the whole production chain, unless corrected, could quickly reduce significantly public confidence.

The Commission will examine what measures can be developed, together with research, to cope with these concerns and will also reflect on the extension of product liability to include primary producers.

It is not clear that all the information provided on food labels is really helpful to consumers. Some of this is unusable by consumers because of its complexity and indications are that other key information needs are not met at all. For the minority of consumers to whom food selection is critical because of health reasons, complex information may be helpful because their medical advisors at least can comprehend such information. Given that most harmonisation of food labelling was undertaken in order to open up the Internal Market and

on an ad hoc basis the time may be approaching when it would be possible to review and simplify this legislation where necessary.

The Commission intends to prepare a Green Paper on the future of Food Legislation in the European Community which will allow for widespread consultation on the main food issues.

#### **7. Encouragement of a practical approach to sustainable consumption**

The political recognition that society faces a major challenge in adjusting its habits and behaviour to the degree that they are sustainable has developed globally. The European Community as a major economic power has a crucial role to play in the development of this concept. Most of the initial focus has been on supply side adjustments but consumer policy needs to be concentrated on these areas also if some of the problems are to be overcome.

Identifiable groups of consumers indicate commitment to tackling some of the problems of sustainability. By forging connections and networks between these groups it should be possible to ensure that a capacity to act is developed which will prove to be useful, once the priority problems have been identified and the basis of a solution has been agreed.

Surveys show a high, and increasing level of environmental awareness among the general public and consumers.

Consumers can exercise a considerable pressure, by their choices, toward design, production and marketing of products and services with a reduced environmental impact.

Moreover, consumers have their own responsibility for the environment, in particular by using and disposing of products in the most appropriate way and participating in reuse, recovery, recycling schemes.

However, consumers can make fully informed and rational choices only if information is provided covering the relevant environmental and performance aspects, and if the information given is neutral and reliable.

Awareness raising, education, general information and labelling of products and services are the priority aspects in the area.

The challenge is to identify the real priority problems where consumer attitudes and habits are the predominant factor and subsequently to devise strategies, in particular based on the elements mentioned above, best suited to and likely to achieve the goals desired. It is clear, for example, that many consumers are willing and able to contribute constructively to waste handling improvements.

A difficult issue is how to accurately assess the merits of one product against another in the majority of cases. Agreed systems for such measures based on Life Cycle Analysis, should be developed further.

The multiplicity of environmental problems identified and often challenged by others serve to confuse consumers rather than encourage them to contribute to sustainability.

Currently the co-existence of several private or national labels is one of the reasons for confusion of the consumer and non-rational choices. Moreover the environmental claims made by certain private firms have not always been proven as reliable. A high concern for a better consumption has been perceivable, but reliable guidance for consumers is not sufficiently available.

Using the methodology of Life Cycle Assessments, it is possible to obtain a reliable scientific comparison of the environmental impacts from different products either in their production and use and disposal/recycling phases.

The EC eco-label which is being established within the framework of Regulation 880/92/EEC operates on the basis of this methodology and is aimed at providing the market with an independent evaluation for environmental friendly products. Other labels, like the EC energy label, harmonise the information provided to the EC consumers in order to facilitate their choices. There is a clear need to develop this type of label and scheme further.

## **8. Strengthening and increasing consumer representation**

Consumers in most societies do not tend to be particularly organised into associations or groups. In the European Community it is estimated that about 4 million citizens subscribe to consumer associations. Because the most organised groups were in northern European Community Member States, the Commission has endeavoured to strengthen the movement in the southern countries where traditionally little presence of a consumer structure existed.

Financial support of consumer organisations and regions is still very low throughout most of Southern Europe. Consequently, the need for the Commission to sustain and increase support is essential in order to ensure the short and medium term development of the consumer movement in these countries.

The need for consumer representation in many of the services likely to emerge in the Information Society is recognised. Efforts to assist and encourage the necessary involvement will be made by the Commission.

The Commission has reformed yet again its consultation relationship with consumers and has been able to move to a situation where the new Consumer Committee is mainly drawn from national representatives of organisations active on the ground in each Member State. This improvement comes on top of having access to five European-wide organisations structured on a Internal Market basis (BEUC, COFACE, EIICA, Eurocoop, ETUC). It is hoped to be able to secure a speedy input of advice from consumers through the operation of active consultation procedures.

Increasingly the Commission is making use of market research techniques to sample opinions and study habits and attitudes of consumers throughout the European Community. This approach complements the opinions expressed by consumer representatives enabling a better balance to be achieved in decision making.

A more structured approach to involving consumer representatives in the standard setting work of CEN/CENELEC has been set in motion. The founding of ANEC, a consortium of

consumer organisations, to coordinate and manage consumer input to the specific European standards committees, offers the prospect of real involvement and their work will be carefully monitored and assisted on a continuing basis.

9. **Assist Central and Eastern European countries to develop consumer policies**

Fundamental reforms aimed at promoting the consumer interests on markets in transition have already been achieved or still are discussed or under preparation in all CEEC. However, in general consumer legislation remains too dispersed, lacks coordination and hence cohesion, and very often continues to be dependent upon measures pursuing other policy objectives. Moreover, in many cases there is no effective enforcement of existing consumer laws.

Legal and technical assistance is thus required to overcome the hurdles which still remain. This is the reason why in the White Paper published in May 1995 special attention has been given to this issue.

The work started in 1994 under the Phare programme and which has been extended for 1995 needs to be built upon so that the tools for the formation and implementation of effective consumer policy are developed.

10. **Consumer policy considerations in developing countries**

Up to now consumer policy, as such, has never been included in development policy. Even though consumer policy is potentially of central importance in situations of abject poverty where malnutrition and exclusion are key issues, it has been seen as relevant to developed markets only.

Understanding of basic food hygiene, use of medicines, home economics, food conservation and other such subjects have been at the heart of the work of many consumer organisations for years. Issues such as the offloading of unfit or unsafe production are of major importance in third world countries. By endeavouring to

formulate a useful approach to questions like the above the Commission will improve the quality of its existing work in support of these vulnerable countries.

The European Parliament for the first time in 1995 voted an amendment foreseeing consumer policy actions in the budget lines destined for use in developing countries. In the implementation of its projects and programmes, particularly in the social sector (health, education, environment, fight against poverty and malnutrition), the Commission will integrate an appropriate consumer policy dimension.

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ISSN 0254-1475

COM(95) 519 final

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Catalogue number : CB-CO-95-567-EN-C

ISBN 92-77-95374-8

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Office for Official Publications of the European Communities

L-2985 Luxembourg