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Briefing 28

The Euro and the Consumer

The opinions expressed in this briefing are those of the authors alone, and do not necessarily represent the view of the European Parliament

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Introduction

The success of Monetary Union will largely depend upon how far ordinary citizens are prepared for the changeover. A hearing organised by the European Parliament's Subcommittee on Monetary Affairs, held on 14th. April 1997, heard the opinions of consumers' organisations - as well as of commerce, employers and trade unions - on the problems and remedies.

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The Euro is due to become the Single Currency of those EU countries qualifying under the Maastricht criteria on 1st. January 1999. The exchange rates of the participating currencies against the Euro, and against each other, will then be "irrevocably fixed".

No Euro notes or coins will enter into circulation at this stage. On the other hand, under the "no compulsion, no prohibition" principle (see p. 4), the Euro is from then on likely to be increasingly used as a denominator in the valuation of assets (for example, government bond issues), and in the settlement of transactions (for example, in the financial markets). The national currencies involved will continue as legal tender, but will be "different expressions" of the Euro.

Notes and coins denominated in Euros and Cents will enter into circulation as legal tender at the beginning of 2002 (or possibly earlier or later, to avoid the complication of introducing the new currency during the New Year sales period). There will then follow a period during which *both* the national notes and coins, *and* Euro/cent notes and coins, will be in parallel circulation. The national tender will be withdrawn from circulation no later than July 2002. From the point of view of consumers, this timetable raises a number of issues; for example:

- Introducing the Single Currency will involve certain costs for industry and commerce. To what extent will these be passed on to the consumer?

- There will be problems in making the transition from familiar national currency units to unfamiliar Euros and Cents. The conversion rates are likely to be mathematically complex[1], and real prices in Euros/Cents will have to be "rounded" up or down.

- Where monetary obligations and contracts are expressed in national currencies, it will be necessary to ensure legal continuity.

[1] See Briefing 26, "ECU to Euro: fixing the exchange rates" (*PE 166.626, 17.1.97)*

The Legal Framework

The European Council at its Madrid Summit in December 1995 reached political agreement on the timetable and mechanisms for the introduction of the Euro which was reconfirmed at the Dublin Summit in December 1996. There are currently two draft Regulations on the Council table implementing such agreement and providing the legal framework for the introduction of the Euro.

Regulation on provisions relating to the introduction of the Euro[2]:

This measure, which is based on Article 235 of the EC Treaty[3], is intended to meet the present need among market participants , including consumers, for legal certainty during the phasing in of the Euro, in particular the need to ensure that legal obligations cannot be avoided or re-negotiated because of its introduction[4]. This could be relevant, for example, in the case of consumer transactions such as mortgages, car loans, life assurance policies etc. entered into before 1 January 1999, but which remain to be performed after the introduction of the single currency.

- From 1 January 1999 every reference in a legal instrument to the ECU is replaced by one to the Euro at a rate of one-to-one, unless the parties intend otherwise (Article 2).

- The introduction of the Euro shall not have the effect of altering any term of or excusing performance under or terminating any legal instrument. This provision is however subject to anything agreed between the parties (Article 3).

- The irrevocably fixed conversion rates between the Euro and national currencies to be adopted by the Council at the starting date of the third stage shall be adopted to six significant figures[5]. These rates cannot be rounded or truncated when making conversions and are the only rates which can be used. Sums payable on conversion into Euros will be rounded up or down to the nearest cent. (Articles 4 and 5).

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[2] Derived from Commission Proposal COM (96)499 final of 16.10.1996.

[3] Which requires Parliament to be consulted in the enactment of legislation.

[4] The bulk of legal opinion on this issue is that the introduction of the Euro *per se* is not grounds for avoiding performance of legal obligations, but that Community legislation is required in order to ensure legal certainty and to eliminate any doubts on the matter.

[5] This means a rate which, when counted from the left and starting by the first non-zero figure, has six figures (and is therefore *not* to be confused with the number of decimal points).

Draft Regulation on the introduction of the Euro[6]:

This Regulation will define the monetary law provisions of participating Member States, and will provide for the introduction of the Euro and its substitution for national currencies in such States. The Regulation is based on Article 109 l (4) of the EC Treaty which enables the Council to take necessary measures for the introduction of the single currency.[7] However as this legal base will not be available until early 1998, the terms of the Regulation have been agreed in principle, but cannot be formally adopted by the Council until 1998 when the identity of participating Member States has been established. The main provisions of the provisional text of the intended Regulation, which will enter into force on 1 January 1999, are:

- On 1 January 1999 the Euro, which is subdivided into units of one hundred Cents, shall become the currency of participating Member States and shall be substituted for their existing currencies. (Articles 2 & 3). During a transitional period between 1 January 1999 and 31 December 2001 national currencies retain their status as legal tender within their former territorial limits as a sub-division or expression or the Euro (Articles 6 & 9). It follows from this that national currencies will *not* have legal tender status outside of their former territorial limits, even though the conversion rates with other participating currencies are irrevocably fixed and legally binding via the Euro conversion rates.

- Article 3 provides that the Euro shall be substituted for the currencies of participating Member States at the conversion rates, which are the irrevocably fixed exchange rates to be adopted by the Council at the start of the third stage on 1 January 1999. This will result in the end of the current system of floating exchange rates (subject to ERM) between participating Member States (the conversion mechanisms are specified in the other Regulation discussed above).

- The principle of "no compulsion no prohibition" outlined by the Madrid European Council summit regarding use of the Euro during the transitional period is contained in Article 8. Legal instruments requiring payment in a national currency shall continue to be performed in national currencies while legal instruments denominated in Euros shall be performed in Euros, subject to anything which the parties may have agreed to the contrary. However, any payments made within a participating Member State by crediting an account of a creditor may be made in either Euros or national currencies, and if necessary must be converted at the conversion rates. In a number of exceptional situations, which are not currently of relevance to consumers, acceptance of payment in Euros will be compulsory.

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[6] Derived from Commission Proposal COM (96) 499 final of 16.10.1996.

[7] Parliament has no formal involvement under the procedure laid down in Article 109 l (4) for the adoption of measures necessary for the rapid introduction of the single currency, which requires the unanimity of participating Member States in the Council, acting on a proposal from the Commission after consulting the ECB/EMI. Parliament was nevertheless consulted on an optional basis.

- The provisions of the preceding paragraph are subject to the practical limitation that Euro notes and coins will not be in circulation when the transition to the single currency commences on 1 January 1999. Articles 10 and 11 of the Regulation provide that when these are issued by the ECB and central banks of participating Member States, at a date to be decided, they alone shall have legal tender status in all such Member States. A number of implications flow from these provisions:

  - National currencies will of necessity remain the basis for all cash transactions until Euro notes and coins are in circulation. Introducing the Euro will accordingly first affect financial institutions and large firms rather than consumers.

  - Given the "no compulsion no prohibition" principle, private economic agents will be free to agree to use the Euro as the basis of non-cash transactions from 1 January 1999 - such transactions include electronic transfers of money, direct debits, smart cards, credit/debit card payments etc. which are an increasingly important part of exchanges of money; and

  - as 1 January 2002 is the *latest* date for issuing Euro notes and coins, they may be circulated at an earlier date if technical and other preparations so allow. It is at this stage that consumers will be primarily affected by the single currency. It is not, however, envisaged that Euro and national notes and coins should circulate together for too long a period of time so as to minimise the confusion that will result from people having to handle or carry two currencies simultaneously.

- Six months after the end of the transitional period at the latest (i.e. 1 July 2002) national currency notes and coins will cease to be legal tender, and will be withdrawn from circulation (Article 15).References to national currencies in legal instruments at the end of the transitional period shall be read as references to Euros at the respective conversion rates (Article 14)

The costs of conversion

The introduction of the Euro will involve large, although mainly one-off, costs for European economic operators.

For example, the costs of altering **coin-handling machines** dispensing cigarettes, food and drink, etc. has been put at ECU 15bn[8]. Euro-Commerce, the EU retailing body, has warned that

[8] *Financial Times*, 28 January 1997

introducing the Euro could cost **the retail trade** the equivalent of $100 for every EU citizen[9].

In the **banking sector** estimates of the direct costs of the introduction of the Euro vary from 2% of total operating costs (ECU 8bn.-10bn.) to 0.058% of total operating costs.[10] In addition, banks will lose the revenues associated with foreign exchange transactions between participating Member States.

To what extent will these transitional costs be passed on in the form of higher prices?

- The rates at which national currencies are to be converted into Euros (and *vice versa*) will be legally enforceable to six significant figures. Where a price is fixed in national currency there will therefore, theoretically, be no possibility of passing on the cost of conversion into Euros/Cents.

- Most prices, however, are determined by market forces. There will be no easy way to calculate whether any price increase is the result of passing on conversion costs; or the result of some other change in market conditions.

- Economic theory predicts that the extent to which cost increases are passed on depends upon the elasticity of demand for the product or service in question; and the extent to which conditions of competition exist between suppliers.

- It is reasonable to suppose, therefore, that a proportion of the conversion costs *will* be passed on to consumers. Consequently, the interests of producers and consumers alike is to ensure that the costs are kept to a minimum.

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[9] *Financial Times*, 25th. October 1996

[10] *Financial Times*, 3 December 1996, and 7 January 1997.

General Issues of Pricing

Recital 1 to the intended Regulation on the introduction of the Euro admits that "measures other than those in this regulation and in the regulation on some provisions relating to the introduction of the Euro should be examined to ensure a balanced changeover, in particular for consumers."

The introduction of the Single Currency will, in general, result in both *advantages* and *problems* for consumers. The main **advantages** will include:

- *Comparing prices.* A Single Currency will make fully transparent the relative prices of goods and services in different countries. It will therefore facilitate cross-border shopping - including purchases by mail-order - and help reduce prices by increasing competition.

- *Exchange costs.* Consumers buying goods or services in, or visiting, another participating country will no longer have to pay for changing their money from one currency to another. During the transitional phase between 1999 and 2002 fixed exchange rates will be legally enforceable - though banks will still be able to make *transaction charges* . After 2002 the need for money-changing will end.

- *Financial services.* The Single Currency will facilitate the creation of a true Single Market in financial services: banking, mortgages, insurance, investment in securities, savings schemes, etc. A more competitive financial services industry will benefit the consumer.

- *Prices and interest rates.* The primary objective of Euro-area monetary policy will be price stability, in itself of benefit to consumers. In addition, a strong and stable Euro will lead to lower interest rates in general, and in particular lower rates of interest in the fields of consumer credit, mortgages, etc.

These advantages will impact on the consumer in the medium to long term. By contrast the disadvantages are likely to have a more immediate, but principally short-term, effect. The main **problems** will include:

- *Loss of "price-sense".* People living in a particular currency area build up an automatic ability to sense whether a price is "high" or "low", and to compare money-values, in a way that is extremely difficult when they visit another country . Despite the fact that the Euro will only replace national currencies fully after three and a half years, it will initially seem a "foreign" currency to most consumers, who will need time to adjust.

- *Personal budgets.* The problems of adapting to a new reference framework will, however, extend beyond price sense. The Euro will mean a new "reference framework" for personal and household budgets, covering incomes, taxation, insurance, savings, debts, etc.

- *Vulnerable groups.* This will be a particularly acute problems for certain groups: notably the elderly and the visually impaired. The designs and values of the new coins will be unfamiliar, as will the sizes and denominations of the new banknotes. These problems will be particularly acute during the period when both the Euro and national currencies are in circulation.

- *Euros and Cents.* For consumers in certain Member States, there will be special problems connected to the choice of a fairly large-value basic unit - the Euro - divided into 100 Cents. Consumer Affairs Commissioner, Emma Bonino, has illustrated the point[11] by referring to the possible difficulties to be faced by her grandmother: when the Lira is replaced by the Euro/Cent she will for the first time have to deal with currency decimals.

Rounding

The rules for conversion for prices from national currency to Euro, and *vice versa*, will be:

- conversion will first take place at the official rate to six significant figures;
- sums converted *into* Euros will then be rounded up or down to the nearest cent;
- sums converted *from* Euros will be rounded up or down to the nearest national unit or sub-unit (Lira, Cent, Penny, etc.)
- a figure of half the minimum unit will be rounded up (in accordance with normal mathematical practice).

These rules, however, will seldom result in an exact one-to-one equivalence between prices in Euro and prices in national currencies, particularly where the smallest national unit is of less value than the Euro cent.

This problem is apparent if a sum in national currency is converted into Euros/cents using the above rules; and then converted back into the national currency, using the same rules. For example, a price of 5 German pfennigs converts into 3 Euro cents. But 3 Euro cents converts back into 6 German pfennigs.

It has been pointed out[12] that it will therefore be necessary to distinguish in dual pricing between the *dominant price* (i.e. the original price set by the seller) and the *derived price* (i.e. the converted price).

The need to round prices up or down will create a number of other problems. For example:

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[11] At a Kangaroo Group lunch in Strasbourg in November 1996.

[12] By Sammy van Tuyll in "*User Guide to the Euro" (Federal Trust, 1996)*

"Psychological prices"

Retailers frequently price goods at "psychologically attractive" levels: for example at £4.99 instead of £5, or 99 Belgian Francs instead of 100 Belgian Francs. The rounding rules will practically never result in the converted price having the same marketing impact as the original. For example, at BF 39.0456 to the Euro, BF 49 will convert into EUR 1.25 according to the rounding rules. The "psychological price", however, might be either EUR 1.19 or EUR 1.29.

In such circumstances, retailers are likely to change quantities or pack sizes to achieve the same effect in Euros. Such changes, however, will in themselves make it more difficult for consumers to compare prices; and could well produce confusion during the periods of double pricing and the circulation of both the Euro and national currencies.

Aggregate prices and unit prices

A further problem concerns the stage at which the rounding rules should apply. In charging for petrol, for example, should the *price per litre* be converted into Euros; or merely the *total bill* to the motorist? The choice could in many cases produce significant differences in the converted final price.

The same problem will arise in relation to charges for services. For example, should the rounding rules be applied to *charges per hour* or only to the *final invoice*?

"Convenient" prices

Whatever legally enforceable conversion rules are used to create the Euro, they are in any case unlikely to be applied to *actual* prices. On February 14th. 1997, for example, the ECU was worth 1.95577 D-Marks. If this were to be the conversion rate for the Euro, a product priced at DM 5 would have a "parallel" price of EUR 2.55663. Under the conversion rules, this would be rounded up to EUR 2.56; but for reasons of convenience (e.g. the handling of change) is more likely to be rounded down to EUR 2.55. Even more likely, for the same reasons, would be rounding down to EUR 2.5, giving an effective conversion rate of EUR 1 = DM 2.

Were such rounding to result in an *increased* price, this might be challenged legally. In practice, however, it will be extremely difficult to disentangle a change in price resulting from conversion into Euros from one resulting from other economic factors. As in the case of "psychological" pricing, changes in quantities and pack sizes will make the issue even more complex.

Dual pricing

From a consumer's perspective, it is desirable that there should be the early double display of prices (as opposed to double circulation of currencies) in both Euros and national currencies: for example in supermarkets, on cinema and bus tickets and on bank receipts and financial statements. This would enable consumers to familiarise themselves with the Euro scale of values as well as putting them on guard against later attempts to raise prices.

Nevertheless, the stage at which double pricing should be introduced, and how long after the final stage of the transition process it should remain in operation, are matters of controversy.

Consumers' organisations believe that the period should be a long one, lasting six months to a year *before* the changeover, and six months to a year *afterwards*. Commercial organisations, on the other hand, point out that dual pricing has a cost, which will either be passed on to the consumer, or result in a reduction of profit margins and a contraction of trade. Moreover, where consumers' organisations are broadly in favour of *compulsory* dual pricing, the retail trade would prefer *voluntary* arrangements, with the precise method of informing customers being left to individual businesses [13].

Unit pricing

As in the case of rounding, there is also the issue of whether dual pricing should apply only to *aggregates*, or also to *prices per unit*. An added complexity is the possible effect of the draft Directive on "consumer protection in the indication of the prices of products offered to consumers".

While the terms of this Directive have not yet been agreed between the Council[14] and the Parliament[15], its aim is to introduce a simplified system for indicating the price of any particular commodity per unit (e.g. per kilo), and the selling price of the actual amount bought, thus making price comparisons easier and more transparent.

In the context of EMU, however, this again raises the questions for double-pricing. A particular packet would have to show four prices (the price per unit and the price of the packet in both Euros and national currency). If there is a special offer price (e.g. "5% off") no less than *eight* prices might have to be shown (the original four, and the special price in the same four ways)!

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[13] See Briefing 9, "The Single European Currency: problems for retailers" *(PE 166.163, 13.06.96)*

[14] Council Common position C4-0530/96-95/0148 (COD).

[15] Parliament's vote on its second reading is found in Minutes of the Sitting of Tuesday 18 February 1997 (Provisional Edition) PE 257.004.

Wider aspects

Moreover, a period of dual pricing for goods and services *alone* is unlikely to be enough. If individuals and households are to adapt fully to the Euro, dual pricing will have to apply to *all* aspects of their budgets. During the dual pricing period, therefore, it would be necessary to show **statements of income** in both Euros and national currency. The same will be true of **tax assessments and demands**, and also of all payments and receipts in the field of **social security,** and of all **financial statements:** bank balances, the valuation of securities, insurance policies, outstanding debts, etc.

Legal and other Questions

Transaction charges

Such wider aspects raise the question how far banks and other financial institutions may directly charge their customers for transaction costs when national currencies are converted into Euros, and *vice versa*. The intended Regulations in this area, while setting out explicit and legally binding rules on the rates at which conversion will take place, do not forbid financial institutions from charging transaction costs. There is a danger that EMU will lose support among citizens and consumers if they feel that they are being charged for the conversion.

Even if financial institutions are prohibited from directly passing on the costs of conversion to their customers, such costs could be passed on to them in the form of increased banking charges (which are in any event an ongoing source of concern for consumers and their representative organisations).

Consumer Contracts

In the context of the Single Market, the EU has already enacted a Directive on Unfair Terms in Consumer Contracts[16] to provide consumers with a minimum of safeguards against unfair terms in standard contracts. This legislation is likely to be examined to see if any additional safeguards are necessary during the transition to EMU.

For example, the Directive is without hindrance to terms which enable a supplier of financial services to terminate unilaterally a contract or to alter the amount of other charges payable for financial services, where there is a valid reason.[17] It could be declared that the introduction of the Euro is not a valid reason in these circumstances.

Fixed interest-rate contracts

One of the benefits of a strong and stable Euro should be lower interest rates. This raises the issue of whether such lower rates should be automatically passed on to European consumers who may have long term fixed rate mortgages or loans. If so:

- Is legislation necessary to ensure that this should happen or is it sufficient to rely on market/competitive forces?

- Would it be advisable for persons intending to take out long term loans to wait, if

[16] Council Directive 93/13/EEC of 5 April 1995, OF 1993 L95/29.

[17] Para 2 Annex of Directive.

possible, until 1999; or at least to ensure that the terms of their loan agreements will entitle them to benefit from the expected fall in interest rates for most European consumers?

Legal tender and other obligations

The concept of "legal tender" means, strictly, that a currency with such a status cannot be refused in settlement of a debt. A wider implication is that a creditor can insist on payment in that currency. Where two currencies - i.e. the Euro and a national currency - exist as "legal tender" in parallel, however, certain complexities might arise.

What, for example, should be the rules on the giving of change in shops? If payment is tendered in national currency, does the customer:

- have a right to change in the same currency?
- have a right to change in *either* that currency *or* Euros/cents at his or her own choice?
- have a right to change in legal tender at the choice of the vendor?

In the event of payment being tendered in Euros/cents, would the reverse apply?

The opinion of consumers' organisations is that shops should normally be required to give change in Euros/cents. This would speed up the process of withdrawing national coins and notes, and help make the period of parallel currency as short as possible.

"E-day"?

The shortest possible period would of course be a single day (or possibly a weekend, to allow the banks to make the necessary conversions and physical arrangements). The switch to decimal currency in the United Kingdom was achieved in exactly this way, on 15th. February 1972.

There is a school of thought among both some consumer bodies and commerce that such a model should be followed in the case of the Euro. Though *dual pricing* might last for six months to a year either side of "E-day", there would be *no* period during which both Euros/cents and national currencies would be in joint circulation.

Such a changeover would considerably reduce the cost to retailers of having to manage two tills, provide change in two currencies, etc.; and would also minimise the problems of consumers faced with two sets of coins and notes.

Notes and Coins

The introduction of the Euro provides an opportunity to increase the "user-friendliness" of both notes and coins, particularly for the aged and the handicapped.

In the case of **notes**, both the length and the width would, ideally, increase according to value. The designs in principle approved for the Euro, however, envisage only such a variation in length. At the same time, variations in the tactile properties of notes would greatly assist the blind.

In the case of **coins** there are certain inevitable conflicts of interest between mints, coin machine operators, etc. and the blind and handicapped. The latter would ideally like the *diameter* of coins to vary with value, as well as for there to be marked *tactile* differences. There are differing views about *bi-metallic* coins (less easy to counterfeit); *polygonal* designs; or the use of *nickel* (to which some people are allergic).

Cross-border financial services

The arrival of a single currency will facilitate the creation of a single market in financial services. This, in turn, will produce an increase in cross-border banking and dealings in various financial products like insurance, mortgages, pension schemes, etc. There will be a need to monitor this developing market to see if further consumer protection measures are required in this area.

In addition, during the transition period, it is possible that financial institutions will offer products which are denominated in Euros. These will initially have a novelty value; but consumers and their representative organisations will need to ensure that excessive charges are not made for products which will become commonplace within a few years or even months.

Subsidiarity

A final question is whether any additional consumer protection measures required relating to the introduction of the Euro are best achieved at Member State, or at EU level. The different consumer protection traditions between Member States, and sensitivities in this area, are reflected in EC consumer policy Directives, which set minimum standards and do not prevent the adoption of more stringent national rules provided they are compatible with the Treaty.

Should this approach be continued with EMU, so that the onus is on Member States to take whatever measures they deem appropriate in the area of consumer protection? Or is EMU so qualitatively different from previous consumer protection issues that consumers in all Member States should have maximum and uniform protection?

The Euro Information Campaign

The Eurobarometer report released in December 1996 includes the results of a public opinion survey carried out in April-May 1996 regarding the single currency. These indicate that a slender majority of 53% of Europeans support the single currency, up from a recorded support of 47% six months earlier. The percentage of those against remained constant at 33%.

There are major divergences of opinion between Member States, however. Support for the single currency is highest among Italians at 78%, while for example 66% of Irish and 59% of French are in favour. Sweden has the lowest level of support, with 27% in favour and 61% against. 40% of Germans support the single currency while 49% are against.

However only 46% of those surveyed were able to correctly name the new currency while a mere 15% knew when notes and coins in the European currency would be introduced. Analysis by occupation show that the self-employed (68% for 24% against) and managers (58% for 32% against) are most in favour while house persons (48%for 31% against) and the unemployed (50 for 33% against) are more reticent. The over 55 age-group are least in favour (46% for 37% against) reflecting a fear among pensioners, German pensioners in particular, that their savings could be diminished by a weak Euro. The occupational analysis indicates that while support among business for the Euro is high, a greater effort is needed to persuade other categories of citizens including consumers and pensioners that the single currency will benefit them as well.

The lack of knowledge regarding the practical arrangements for the introduction of the Euro is not surprising given the absence so far of a campaign of mass-promotion. The emphasis to date has been on the technical preparations and on assisting financial institutions and large firms to prepare for the introduction of the Euro, as they will be in the frontline for its introduction and are expected to generate a critical mass of Euro-related activities as the transition period progresses. 1997 has been designated as the year when a mass promotion campaign is undertaken by the European institutions and Member States. In particular the Commission has held a consumers' round table concerning practical arrangements for the introduction of the single currency, and more particularly consumer-related issues. Some commentators have however detected signs of panic over public ignorance of the single currency.[18]

Quite apart from their lack of awareness of the technical aspects of the introduction of the Euro, it would not be surprising if citizens and consumers were confused by the entire EMU debate, given the widely diverging and contradictory views held by economists, business people and

[18] Independent on Sunday *Euro tries television to gain currency* 2 February 1997.

politicians about the desirability of a single currency of the type envisaged under the TEU. Neither has the process been helped in the eyes of consumers/citizens by the fluctuating fortunes of the process leading to EMU which has added to the uncertainty surrounding the introduction of the single currency. The uncertainty over who will and will not be in the first wave of participating Member State has also hampered the process. For example, should a mass promotion campaign for the Euro be undertaken in Italy and will this be counter-productive if Italy is deemed to be a “pre-in” rather than an “in” in early 1998?

The varying degrees of support for the single currency indicate that fears and concerns over the introduction of the Euro vary between Member States. In these circumstances national and regional authorities are best suited to respond to the concerns of their citizens and consumers. Cultural, linguistic and historical differences between Member States also mean that national governments rather than the Commission should play a leading role in information campaigns to promote the Euro. The Commission’s Green Paper on the practical arrangements for the introduction of the single currency[19] identifies the two primary objectives of a Euro information strategy, namely winning popular support and stimulating technical preparations. According to the Green Paper pursuit of these objectives at both Community and national level includes:

- involving representative organisations such as consumer groups, trade unions and special interest groups such as the visually impaired, and reaching the socially disadvantaged through their own representative organisations and charities

- special information campaigns in schools, which could have a knock-on effect in the home

- supplying the media with quality information

- dual pricing displays

- trial runs of the single currency in certain locations[20]

- a plentiful supply of conversion tables and possibly a supply of customised calculators to convert between national currencies and Euros.

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[19] COM (95)333 final of 31.05.1995.

[20] *Financial Times*, 6 May 1997 outlines the frustrations underlying such trial runs: "Euro trial run fails to impress Berliners".

The views of the European Parliament

The proposals for the Council Regulation on some provisions relating to the introduction of the Euro and Council Regulation on the introduction of the Euro were considered by the European Parliament on 28 November 1996 following a report by Mr. Fernand Herman.[21] The opinions of Parliament on both regulations[22] went beyond considering the legal measures necessary for the introduction of the Euro, but also considered the impact on consumers and emphasised the need to do everything possible to raise the awareness of and prepare all economic operators and users for the introduction of the Euro.

Parliament was formally consulted by the Council under Article 235 of the Treaty with regard to the proposal for a Council Regulation on some provisions relating to the introduction of the Euro. Its vote was its final say on the matter. The following amendments of relevance to the consumer were proposed by Parliament:-

- A recital on the need to grant consumers legal protection against abuses and fraud which might be committed on the introduction of the Euro and a call for Council Directive 93/13/EEC on Unfair Terms in Consumer Contracts to be modified and strengthened, and for national criminal provisions to prevent such abuses and fraud to be harmonised.

- Invalidation of any clause in a standard contract concluded between consumers and representatives of businesses which permits one of the parties to avoid his obligations in the event of the Euro replacing one of the participating national currencies.

Parliament was consulted by the Council on an optional basis under Article 109 l(4) of the Treaty (which does not provide for any formal Parliamentary involvement in the enactment of measures necessary for the introduction of the single currency) with regard to the proposal for **a Council Regulation on the introduction of the Euro**. Its vote was its final say on the matter. The following amendments of relevance to the consumer were proposed by Parliament:

- With the aim of promoting the Euro, conversion software should be made available at the outset to financial institutions by central banks to enable any debtor to discharge his debt in the currency of his choice.

- Conversion between a currency in a participating Member State and the Euro should be free of charge, and conversion between participating currencies should be based on the official conversion rates and any transaction costs separately identified.

- Member States should take appropriate measures to ensure that during the critical period when the Euro is being introduced as legal tender, the display of prices in Euro should

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[21] PE.219.844/fin.

[22] Minutes - Sitting of Thursday 28 November 1996 (Provisional Edition) PE 254.432.

not mislead consumers as to the actual value of goods or service purchased.

Parliament is currently involved under the co-decision procedure in the process leading to the adoption of a directive on **consumer protection in the indication of prices of products offered to consumers.** On 18 February 1997 it voted[23] on a Recommendation for Second Reading following a report by Mrs. Ria Oomen-Ruijten.[24] In the context of the single currency the following proposals are relevant to the Conciliation procedure now underway:-

- Having regard to the adjustments required for small retail businesses in the transition to EMU, it requests the Commission to present a report assessing the situation

- In the transitional period following the introduction of the single currency, the following three prices may be indicated:

  (1) selling price in the national currency
  (2) selling price in the single currency or
  (3) unit price in the single currency.

It is possible that further actions in the context of EMU will be based on Article 129a(2) of the EC Treaty, which enables the Community to protect consumer interests independently of measures taken in connection with the internal market. Parliament's involvement would be maximised if action were taken under this article which uses the co-decision procedure, in contrast to its limited involvement under Articles 235[25] and 109 l(4). The Council would also be able to act on the basis of qualified majority voting rather than unanimity.

[23] Minutes - Sitting of Tuesday 18 February 1997 (Provisional Edition) PE257.004.

[24] PE 220.159/fin

[25] Article 235 may only be used as the legal basis for a measure if no other Treaty provision confers on the Community institutions the necessary power to adopt it. It could not therefore be properly used as the legal basis for a consumer-protection measure given that Article 129 a(2) is now available for this purpose independently of internal-market related measures.