

# 11th INTERNATIONAL TNO CONFERENCE

Consumer Interests and Manufacturing Considerations:  
a Dialogue between Industry, Government and Society



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Dr. L. B. J. Stuyt  
President of the Organization for Applied Scientific Research in the Netherlands TNO  
The Hague  
The Netherlands

Ladies and Gentlemen,

I feel greatly privileged in welcoming you on behalf of the Central Organization for Applied Scientific Research in the Netherlands to this 11th International TNO Conference.

Before leaving the rostrum to the experts I'd like in a few minutes to explain why this conference is being held, what its subject has got to do with TNO.

The theme of this year's conference is:

Consumer Interest and Manufacturing Considerations: a Dialogue between Industry, Government and Society.

I think the choice of this theme requires some explanation. After all TNO is an organization which is mainly concerned with applied scientific research. In other years this has always been expressed explicitly in the Conference announcements. Does the present departure from this custom mean TNO is repudiating its nature and origins? I do not think so. On the contrary! What is happening now is a consequence of the fact that TNO, firmly anchored in Dutch society, is seeking to translate the signals from this society to apply them to its own situation. This means among other things that we are more than ever aware that technology must never be a goal in itself, but should be seen as a means to an improvement of life. The real problems confronting us as a rule are not actually technological. In our western culture, however, many believe that technology and science are the sole instruments capable of producing acceptable solutions. The subject which we are going to study today and tomorrow likewise covers the entire technological machinery which keeps our social and consumption systems going. There we have, although implicitly, a major connection between the conference theme and the activities of TNO. Behaviour and developments in society are increasingly being determined by technologically charged problems in the fields of energy, environment, overpopulation, food and health. If TNO is to continue providing optimum support, it must evolve with the times. In doing so it will have to pay increasing attention to the problems of all such social sectors as cannot be simply put into the categories of government and entrepreneurs.

This evolution is more or less reflected in the trend marked by the themes of the various TNO conferences. The themes of the two previous meetings were 'Risk Analysis' and 'the Energy Accounting of Materials, Products, Processes and Services', both of which represented aspects of our consumer society which are linked immediately to the marginal conditions imposed by nature on an acceptable quality of human life all over the globe and of the life of which Man is the custodian.

There is no doubt that in the field of tension between producers, government and consumers, the last category has caused the greatest stir in the last few years. Only a quarter of a century ago the notions consumer, consumerism, consumption and consumer policy were still obscure or had not even been invented. Even the Treaty of Rome of 1957 hardly mentions consumers.

Having started in the USA, the process of growing consciousness and organised protection of interests has spread and developed fast, though no faster than all kind of other remarkable social changes.

The origins of such processes are often hard to trace, but, not being an expert in this field, I would call these developments a historical necessity. In a strongly expanding free market-economy the supply of products and services is growing fast. Competition is getting fiercer. The actual value and make-up of all kinds of products are increasingly hard to judge, often as a result of the use of sophisticated technologies. The link between price and quality is growing ever more tenuous and the consumer is losing confidence in the producer. The producers on their part are losing sight of their relationship with the consumers. Their expanding enterprises are increasing the gap separating them from the consumers, and the production process is claiming their full attention. Safety, reliability and durability are suffering to an increasing extent.

The narrowing of the producers' vision sooner or later causes a reaction in the form of a common consumer front seeking to redress the balance. Meanwhile the government is involved in the problem which has already assumed a clearly polarised character.

This quite primitive picture will no doubt be made more specific these days, or be waved away as nonsense. However, the fact remains that the consumers and their organizations are becoming an important factor of our society in which the producers and the government control the other points. The question remains whether the time has come to regard consumer and producer again as equal partners.

EC Commissioner Richard Burke has found that this is by no means the case yet. His finding is not to the liking of many producers who have voiced strong doubts as to the quality of the research on which it was based. But Burke is getting support from the USA where surveys show increasing consumer concern about the attitude of the producers. Many feel that they are worse off as consumers today than they were 10 years ago. As a result, the consumers are adopting a tougher attitude which is not helping trade and industry at all. Unfortunately, we hear from colleagues that many managers are still unaware of what exactly is going on. Consequently, healthy consultations are often frustrated. Major opportunities to deal with these problems on the basis of new vision on enterprise within our society are left unused. I have to add, however, that the industrial organizations in the Netherlands seem to me to be well aware that enterprise too, is a social activity and must evolve along with society.

The point is made in respect of consumer and consumption policy in a recent brochure published by the Federation of Netherlands Industry and the Netherlands Federation of Christian Employers. The chief starting point is admittedly the consumers' freedom of choice and the firms' freedom of movement to satisfy demand, but this is in no way put forward as a plea for unbridled freedom. It is stated clearly that both consumers and producers must be aware of the effects of their behaviour in the field of social scarcity. Furthermore, the consumers' wishes as to guidance, safety, service and the handling of complaints should be seen as an integral part of the enterprise climate. All in all the brochure calls for a positive, active attitude towards general social developments in the field of consumer interests.

The position of the government as regards these problems is hardly enviable at this moment. It seeks to create a certain order and protection by laws and rules among other things. Many producers see this as a curb on their freedom of movement, hampering management flexibility. The consumer organizations on the other hand complain that the government turns a deaf ear to their grievances, according them a low priority rating as compared with employment and export promotion.

The question arises what shape the confrontation between the three parties is going to assume, now that a new economic order is presenting itself, prosperity seems to be declining and disposable incomes have ceased to grow, and saturation symptoms are appearing in consumption for various reasons. It may be possible to trace interesting parallels between the lines of development of consumer organizations and trade unions.

In conclusion I wish to make some observations about the role of TNO in this field. From its independent position TNO wishes to serve all three groups. In addition, TNO has a responsibility of its own where the use of technology in the field of consumption is concerned. This means it has to pay great attention to so-called aspects research. An impressive example was the completion of a book of methods last year, which is concerned chiefly with chemical pollution of the marine environment.

Ladies and Gentlemen, this example illustrates only a part of the work of TNO. This Conference will give us more information about the different aspects of the theme: 'Consumer Interests and Manufacturing Considerations', which we shall be discussing the next two days. I hope to meet you again at the conference dinner tonight. And now I declare this conference open and would like to ask Prof. Van der Kerk to start the proceedings.

The Private and Public Sectors - Improving Communications

Mr. E. Q. Daddario  
President of the American Association for the Advancement of Science (AAAS),  
former Director of the Office of Technology Assessment (OTA)  
Washington  
U. S. A.

When, early in his presidency, John F. Kennedy invited a group of our most distinguished scientists to the White House, he opened the discussion by pointing out that there had never been such intelligence gathered there at one time since President Thomas Jefferson, our third president, dined there alone. Thomas Jefferson happened to be, in keeping with the times in which he lived, an outstanding correspondent. His letters, on almost every conceivable subject, are thoughtful and timely despite the passage of years. On June 2, 1792, he wrote to Peter Carr as follows:  
"Hence we might argue in Virginia that though the cutting down of forests in Virginia is, in our husbandry, rather an improvement generally, yet it is not so always, and therefore, it is safer never to admit it."

That is quite a remarkable statement. Remember that the United States, only recently detached from England, and clinging to a narrow stretch of land along the Atlantic coastline, faced westward towards thousands of miles of dense forest. So vast and so inviting was this land that Americans, moving to fulfill a seemingly pre-ordained destiny, developed a philosophy that was somewhat naturally tied to the use of apparently endless resources. As a result, a traditional belief spontaneously developed that growth was a good thing, and as our population grew, we assumed that growth was necessary to maintain a decent life. That philosophy was based for the most part on the exploitation of resources, the production of things, and their quick consumption to complete the cycle of demand so that the economy would not lag.

Today, as our numbers have grown, as our resources have diminished, as our environment has eroded, we have come to consider economic matters without automatically assuming that growth, by itself, is a good thing. That we have not learned to live without growth, and the continually increasing importation of oil, gas, and a host of minerals over the past few years when it has been our policy to move away from such dependence, indicates that although we are trying hard, longterm attitudes cannot be quickly reversed. As we seek to substitute other ideas, interests or services for things which now dominate our economic design, we are struggling in some rational way to preserve a material standard of living at a level sufficient to maintain our Nation's social foundation -- before the eventual exhaustion or misuse of our physical assets takes random and irrational effect. That this conflict is not ultimately avoidable is apparent in the great effort we are making, the implicit difficulties in bringing it to hand, and the controversy among the various interests, both public and private, which must adjust themselves to an ever-changing and complex set of circumstances and indiscernible consequences.

May I try to analyze that for a moment? The prime elements of the physical and social equation which we must solve -- and within the time span of only a few decades -- are these: the discovery, exploitation and use of this planet's remaining resources; the potential advantage and disadvantage to be expected from such use; the qualities of man himself, his numbers, his crowding, his indecisiveness in reaching national and international long-range goals; man's relationship with other men and with other forms of animal life; and finally, the great unknown which I must assume bothers all of you here, the appropriate role of government in seeking solutions to the major issues confronting contemporary society. And regarding that, I do believe that the question is not whether government must assume the prime responsibility, or even how much responsibility, but rather the manner in which government will act so as to support a frame-

work within which all levels of society can responsibly participate.

I need not tell you that all societies have their own peculiar characteristics and I would approach this subject with greater temerity if I did not perceive that common threads, with which we are more or less familiar, weave themselves through parliamentary democracies. The private sector likes to be left alone. If the government must regulate, it should do so sparingly. The least amount of government is the best government. Whenever its members have to deal with government, they do so gingerly, if not with some degree of fear and trepidation. As a result, communications are most often so guarded that there is bred a high level of suspicion and a low level of understanding.

In government the cliché goes that the parliament proposes and the executive disposes. In my country, where there is a constitutional separation of powers as well as a congressional obligation to formulate and promote policy, the Congress feels itself under no obligation to support the executive, even when it is of the same political persuasion as the majority. In your parliamentary societies, where the political structures are somewhat different, I find similar constraints as well as fervent desires on the part of parliamentary members to have more information than the executive wants to give. The conclusion one comes to, therefore, is the need for an environment in which all parties are better informed, where understandable lines of communication are established within an atmosphere of friendly negotiation -- conviviality is asking too much. For, most certainly, broad involvement and intelligent participation are kin to mutual respect.

To create the right tone and balance will entail the most prudent application of common sense and judgment if we are to properly determine those areas in which regulations may be required and those where market forces should prevail. The problems associated with poor regulations will diminish somewhat as we seek solutions to that dilemma. They cannot be completely solved because the goals of each are somewhat different, however. The private sector is constantly seeking to improve its understanding of the future business environment in order to produce the most advantageous options for its decision makers. The government, in carrying out its regulatory responsibility in a socially responsible way, is concerned with understanding and anticipating future events so that the introduction of new technologies will not cause adverse secondary side effects. It is so easy to get off on different tracts, considering the objectives of each, and there may be different versions as to the social costs that are themselves not generally included in the normal operations of the market place. To bridge that gap is vital to the improvement of the relationship, for it may very well involve assurances that all competition would take the same social costs into consideration so as to overcome the competitive advantage to those who did not.

In the middle 1960's, while holding hearings on the "Technical Adequacy of the U. S. to Meet the Problems of Pollution" I, as well as other members of my committee, came to certain logical conclusions. Simply stated, we determined that the present state of technology should be examined and regulations established in keeping with the level of available technology. Research and development programs should be developed to raise the level of our technological capabilities in those pertinent areas and as that occurred, to immediately raise the level of regulations accordingly. We were convinced at that time that improved levels of understanding between the private and public sectors would develop as technological and regulatory advances kept pace with each other. It may be that we were all leaning on our hope that the democratic process works best when a high level of public education precedes the time when that same public must choose from several alternatives. At any rate, another element of democracy was simultaneously underway -- the famous hearings in the U. S. Senate on automobile safety. The public outcry that developed from those hearings made it politically convenient, perhaps even necessary, to regulate beyond our technical capabilities. As a consequence, we are still wrestling with the effects of that legislation -- and who is to say but that we are further ahead than we would have been if we had followed the other,

more logical, step by step position?

I would like now to use as an example a pilot public participation activity of the U.S. Congress to bring some of these thoughts into focus. In the early 1970's both President Nixon and President Ford indicated that they would open up the coastal areas along our eastern seaboard for the drilling of oil and gas. The Office of Technology Assessment was called upon to examine the effects of such action and as part of a study entitled "Coastal Effects of Off-Shore Energy Systems - An Assessment of Oil and Gas Systems, Deepwater Ports and Nuclear Power Plants Off the Coast of New Jersey and Delaware" a program of public involvement was initiated. That program, initially intended as a workshop experiment to develop public participation methodologies and techniques, kindled such a wide body of substantive information that it had to be included in the report itself. That should not have come as a surprise since the public in those areas was naturally concerned about their coastline which they used for so many recreational and commercial purposes. What we were not at all sure of was our ability to get the people constructively and objectively involved during a period when there was a high level of suspicion about any government activity -- especially when that affected the natural environment. Yet, the Congress, to legislate properly, needed to know how the people felt they would be affected and to do that, both the Congress and the public needed to discuss openly the various technologies to be applied and to better educate themselves as to the advantages and disadvantages of each.

At present, 1 out of every 2 Americans live and work along a coastline. By the year 2000 that figure may very well rise to 8 out of 10. Despite this, there has been very little research into the effects of such growth. Although we have come to know that marshes, estuaries, and tidal basins along the coast are crucial to sustaining marine life, we have much to learn about the human effects of intensive land use for housing, industry, commerce, energy facilities, resort communities and transportation networks. The three energy systems:

- 1) Oil and natural gas in the Mid-Atlantic Outer Continental Shelf,
  - 2) Installation of a deepwater port to accommodate supertankers in the Mid-Atlantic and,
  - 3) Construction of at least two floating nuclear power plants
- impose on the Congress the need to study the likely consequences of those systems on the coastal, ocean, economic, institutional and social environments.

The public participation aspects of that activity were facilitated by these factors:

- 1) The limited size of the region involved and,
- 2) The existence of actual proposals for the three systems already mentioned.

The process of identifying and reaching potential participants was, by design, an evolutionary one. Individuals with special interests, either because of their publicly held positions or privately expressed opinions, were contacted separately. These initial meetings provided additional names. Lists of potential participants were then built from that base. As other persons and organizations became involved, briefing papers were circulated. Workshops were then held around these groups and the general public. Congressional staff was made available for these workshops and for meetings sponsored by interested groups gathering on their own initiative. This activity was followed by the publication of a pamphlet on the subject which was mailed and distributed to over 15,000 people in the area. From this, some 25,000 responses were received. As the discussion base grew in depth, interviews were conducted by the Congressional staff and they, in turn, elicited correspondence and position papers from the people themselves. It was, perhaps, because of the gradual growth of the activity and the sincerity of its person to person relationships that press coverage was both widespread and favorable. Most important of all was the indication that the government was honestly concerned about the opinions of the people who were to be affected. They were being consulted before the fact and at a time where the programs were being formulated and their opinions could be useful. Dissemination of information to the public was



most certainly a major step towards encouraging citizen involvement. Accomplishing that in a simple and low cost way was also an important ingredient.

It became obvious at an early stage that the people had something to say once they were convinced that someone was listening. They wanted the government to know that they were primarily interested in economic benefits and losses, and social and environmental advantages and disadvantages, possible changes in their way of life, and the possible risk of major accidents with the three energy systems or their alternatives.

With regard to the current system of information gathering and decision-making, the citizen was concerned that the local government and the public affected lacked an effective partnership role with the central government and that the roles and activities of each were not sufficiently coordinated and understood.

Repeatedly, and as this last year has made clear, their wisdom has become even more apparent. Although they were particularly concerned about their own region, they recognized the importance of relating their own energy needs to a national policy in which each energy system which affected them could be evaluated and serious research and funding could be given to the determination of conservation measures, identifying alternative sources of clean and renewable energy, and the development of innovative energy systems.

The involvement of the public during the planning process can improve communications by highlighting the concerns of all of the affected parties. Let's see if I can show how it worked in this particular instance by citing a few examples.

Public Expressions -- The problem of disposing of nuclear wastes has not been solved.

Government Response -- An examination of the waste proposal plan for the floating nuclear plant was undertaken.

Conclusion -- Fuel and waste handling systems and the decommissioning procedures for the floating plant have not yet been adequately analyzed and decommissioning problems have not received the necessary attention.

Public Expressions -- There is a possibility NRC is not seriously investigating the risks of a major nuclear accident and its consequences.

Government Response -- The work of NRC on the subject of accidents was reviewed and some special studies were initiated.

Conclusion -- The Nuclear Regulatory Commission is not evaluating the risks from accidents in floating nuclear plants comprehensively enough to permit either a generic comparison of the relative risks from land based and floating nuclear plants, or an assessment of the specific risks from deploying floating plants off New Jersey.

Public Expressions -- The potential adverse impacts of off-shore oil development have social as well as economic dimensions. That is, increased industrialization of the coastal zone with the consequent increases in population, transportation congestion, air pollution and noise would make the area less desirable for residents and tourists.

Government Response -- An examination of the types of facilities that would be required onshore for a range of estimates of recoverable oil and gas was conducted, but it was found that existing data did not permit a precise prediction of secondary land use and other impacts.

Public Expressions -- Some thought the nuclear powerplant would make more energy available and that therefore costs of electricity would go down. Others thought the high

capital costs of the floating nuclear powerplant could have the effect of raising energy prices.

Government Response -- An investigation of nuclear powerplant costs was conducted and an exploration of the uncertainties involved in predicting the final cost of a floating nuclear plant.

Conclusion -- While the cost advantage of the Atlantic Generating Station over a land-based facility of comparable generating capacity is small, in the long run the floating nuclear powerplant concept may provide a method of controlling the escalating costs of nuclear powerplants.

Public Expressions -- The major advantage of offshore energy development may be increased energy availability for the region and lower energy costs.

Government Response -- The study of the regional energy supply and demand situation was expanded.

Conclusion -- Most supply networks and prices are determined on a nationwide basis and little change in regional supply or prices can be expected. Lower transportation costs might give New Jersey and Delaware a price advantage compared with some other region of the country, but future prices would depend, in part, on oil and gas price-control policies and on world prices. Transportation of imported crude oil by supertanker to deepwater ports would similarly not create important price cuts. For the floating nuclear plant, it was found that cost and price changes could not be predicted.

These expressions and their direct relationship to the problems involved show that reliable information on how citizens feel they will be affected by the application of new technologies can best be obtained by direct contact with the people themselves. Every community has a way of developing expert opinion about how changes will affect them. Opinion makers develop almost automatically from individuals who have expert ties to those issues which will affect them and their neighbors. If their opinions are given an opportunity to air themselves, they will add a measure of judgment and stability to most proceedings. If they are not given that opportunity, they will ultimately express themselves -- and usually adversely and emotionally -- after the government and industry positions have been taken. I believe it is fair to say that in this instance the people of New Jersey and Delaware, while remaining skeptical about the injection of such new activities in their region, have indicated that they would not be hostile to such changes, provided it could be shown that these changes would be considered carefully as against the courage and the sacrifice that the rest of the nation would be making in the area of energy supply.

## Harmony and Conflict of Interests between Producer and Consumer

Mr. R. F. M. Lubbers  
Member of Parliament, former Minister of Economic Affairs  
The Hague  
The Netherlands

For a brief consideration of the government's role on behalf of the consumer and in connection with consumption, it is useful to start with the two terms "producer and consumer". But simply placing the producer opposite the consumer in this way can easily, though erroneously, suggest that there are no opposing interests within the groups of producers and consumers. Such conflicts of interest naturally do exist. An obvious example is the case of producers competing with each other either with the same type of good, or at various points in the production chain of a certain good, or merely because they are struggling to win the favour of the same consumers' purchasing power.

But conflict of interest can also be seen among consumers. A simple example is that of the consumer producing noise, either by his portable radio or his motor vehicle, against the consumer seeking peace and silence; an example of consumers with indirectly conflicting interests is that of those persons on the one hand able to buy more cheaply in the out-of-town shopping centres and on the other those less mobile consumers who appreciate the greater expense of home delivery or the shop on the corner, or who simply have no choice.

Nevertheless, the distinction between producer and consumer very definitely underlines the fact that in the course of centuries, or more accurately in the course of the process of rising prosperity, the gap between the two has widened enormously. Formerly, in the pre-capitalist phase, the making of a good coincided with its use, or it was made within a limited structure (family, commune, village, small town). The division of labour and increase in prosperity, however, have driven the producer and consumer further and further apart and thereby introduced a considerable element of anonymity (alienation).

The producer and consumer no longer meet; with all the choices it offers to the individual consumer, the package of goods and services is just an existing fact. Of course we see, as a countercurrent, a certain revival of small-scaleness, appreciation by the consumer for specialized shops with personal service as well as do-it-yourself activities. Those elements are important, although they are exceptions to the trend of a greatly widened gap between producer and consumer. It is precisely that gap, and the problems in which it has resulted, which have given rise to consumerism. Underlining the necessity and the importance of consumerism tends naturally to suggest the idea that the way things have gone has made the consumer into a kind of victim. This, however, would be a misrepresentation of the situation.

On the contrary, I wish to state with emphasis that the very fact of the far advanced division of labour, the increase of labour productivity, the functioning of the market mechanism and the development of increasingly large markets have also largely reflected, and still reflect, harmony between the interest of producers and consumers. Through investments and the concomitant better education and organisation, technological progress and improved productivity have led to a great increase in industrial output, which has made possible a substantial increase in purchasing power for the consumer. It was in the interests of producers/suppliers of goods and services that wage increases took place and purchasing power grew. Likewise, through the mutual competition which it generated the market mechanism not only served the efficiency of production but in general it also led to a large degree of pluriformity in supply. This gave, and continues to give, the consumer a far wider range of choice. That wide range of choice, moreover, can often be utilized in a way which allows a greater range of development. Consumption can also act in a knowledge-increasing way, and provide,

both literally and figuratively, a wider field of vision. To be able to apply greater purchasing power in many directions enlarges in principle the liberty of the individual consumer and of all consumers together, that is to say society. In fact, properly functioning market mechanism is therefore the basis and condition of parallelism in interests between producers and consumers.

At the same time, however, we have to note the paradox that it is precisely the greatly widened gap between producer and consumer, and the imperfect functioning of the market mechanism - both important features of the growth of prosperity - which have made consumerism necessary. An inevitable and necessary side symptom of our great prosperity.

In 1962 President Kennedy stated the five basic rights of the consumer, and that could be regarded as the beginning of a defined policy on consumer affairs. In fact, what is meant is a policy designed to permit really the consumer to function optimally as the demanding party on the goods and services market; because what has to count is the proper application of this purchasing power, the satisfaction of his needs. This covers a wide range of measures such as protection against unsafe products, proper consumer information on product quality on a comparative basis or otherwise, the suppression of improper trade practices, measures to promote economic competition, etc. etc. On 14th April 1975 the Council of Ministers of the EEC established "the initial EEC programme towards a policy on consumer protection and information". This title speaks volumes about the contents of the envisaged policy on "consumer protection and information".

Two years later, the responsible EEC Commissioner wished to begin talking about the broader framework of "promotion of consumer interests". One of the arguments advanced for this broader case is "the necessity to obtain the highest possible level of well-being and the highest possible degree of satisfaction in consumption subject however to acceptance of restrictions of an economic and social nature, and with due respect to the highest requirements of environmental conservation". This development has been seen in The Netherlands also.

Four annual reports in government policy with regard to consumer affairs have now been issued, and besides the actual work carried out in matters of information, protection, product safety, surveying of needs, etc., all those reports have paid attention to consumption policy as a more far-reaching objective than consumer policy, although the boundaries often cannot be drawn distinctly. A government memorandum on this subject has already been painted in political primes and is now awaiting only the "final top-coating" from the new coalition government. It is obvious for me to discuss a few aspects of that broader problematique but before doing so I wish to repeat in all clearness that what is known as traditional consumer policy is of the utmost importance. In fact that policy amounts to a reinforcement of the consumer's position in the market place. And the producer must be forced to observe the rules of the game in information, packaging, marketing method, follow-up service, etc.; measures which provide a better guarantee for a state of equilibrium on the market. All these are measures which are based on the principle that it is not the sale (retailing) of goods or services which is the ultimate objective, but the optimum satisfaction of needs by means of those goods and services in conformity with the expectation aroused.

It is of the utmost importance to bear in mind that guaranteeing a well-informed consumer is of essential importance for the proper functioning of our economic system in the matter of consumption; essential for the real satisfaction of needs, and that it is above all this approach which must ensure a constantly evolving, sufficiently pluriform supply.

In fact this policy, the endeavour to give substance to the previously mentioned five basic rights, is a very tough and careful job on the part of governments, requiring many years. This work must be done largely in co-operation with a large number of ministries and this alone makes it a difficult and tedious job. Often it is juridically complicated and that also creates problems. Finally there is the EEC with all its regulations and in particular its intended regulations, which take up a great deal of time of the limited number of specialists and which all too often serve as the alibi for

a delay in national measures.

This is not the time or place to enter into the various details of this package of measures to protect the consumer and to improve his position in the market. But it must be stressed that this type of measures is indeed very important. To equip a conscious consumer suitably is at the heart of consumerism.

An area of the "traditional" consumer policy which tends to remain underexposed is consumer research. Of course, certain enterprises have gradually begun to devote rather more attention to consumer panels in order to find out what people really want. This is a good thing. In the light of the criticism that consumers have no real choice because they have to choose from what the producer offers, there is nevertheless room for supplementary research aimed at defining systematically what needs exist outside the market, and whether those needs are capable of satisfaction.

In the Netherlands, the government has supported the initiative to set up a Foundation for Scientific Research on Consumer Affairs, and this Foundation will have to play a certain role in the area which I have just mentioned. Given the degree in which needs are satisfied within our economy, we must realize that in our society the government in fact determines and provides for a considerable number of needs "for its own account and risk". In some cases that is done directly by means of really collective provisions, and in other cases indirectly, because the government in fact determines a certain sub-market in monopolistic co-operation with the social group concerned. An example of this is medical care. It is precisely in these areas that it may be equally useful to call attention to the consumer, because he can so easily become snowed under, reduced to an object of care, and become just about the opposite of a critical, aware, well-informed consumer. This may be an extreme and exaggerated example, but it is nevertheless a good thing to draw the conclusion that "need surveying" is not only necessary as a complement to the market economy, but equally, and possibly more so, as complement to a political, and therefore equally often a priori decision-making with regard to collective provisions or services which in fact take place monopolistically under government supervision.

Systematic surveying of needs will not be a simple matter and it will of course be wondered where and what interesting points may be yielded. But this again is largely unknown country. I would nevertheless like to point to just one symptom which manifests itself in various forms.

The growth of our prosperity has gone hand in hand with changing relative costs, in particular between labour per unit of time and produced goods and services. The rise in prosperity is translated into a higher remuneration per unit of time for the labour factor. Labour, ever better equipped as it is with capital goods and ever higher-grade through education and organisation, continues to produce more and more. In the one sector, however, there is a far higher productivity growth than in the other, in particular because of the presence or absence of the possibility of applying capital and new techniques. This means that in highly developed societies labour is relatively expensive. Moreover, the growth in productivity just mentioned is generally only possible with a large and expanding market. These two factors together mean that a continuous shift takes place in the range of goods and services supplied, whereas a certain specific supply rapidly dries up as soon as demand diminishes. Such processes are changing cost structures and consequent disappearance of supply, even though there may still be limited groups of interested customers, can be seen for example in the case of public transport, and also in home delivery, the local shop, the tailor, etc.

Although not always, it is mostly those persons who have less purchasing power (the elderly and weak) who suffer from this kind of development. With all the growth in prosperity, it is sometimes good to pause for a moment and take account of these secondary symptoms, and ask ourselves what can be done about it.

In general, however, it is not an easy task to do anything about it. Of course, we can attempt to slow down certain processes, and the fanaticism with which minimum prices have been defended in the Netherlands during the past few years (even to the extent that we have now run into difficulties at European Community level) was largely inspired by

the desire to maintain a measure of (personal) service. But putting the clock back as regards these changes is of course impossible. We can and we must ask ourselves, however, whether, in that situation, the large group with the high purchasing power can and should be burdened in favour of a smaller, unfortunate group. A specific area where this example can be developed is that of private transport, in particular the car, in relation to public transport.

The changes in cost distribution as well as the high cost of labour together with the great increase in leisure time have led to an enormous growth in the do-it-yourself field. A turnover in excess of two thousand million guilders in this do-it-yourself market represents only part of the need satisfaction which has in fact been created in this way. In general a very positive trend, also from the viewpoint of self development and stimulation of creativity. At the same time, however, this development has also brought disadvantages with regard to the elderly and handicapped, who encounter the same high labour costs but are less able to "escape" them. In our society the costs of labour - partly due to the system of imputation - just are very high. The terrific growth of the do-it-yourself market cannot be interpreted solely in terms of leisure activities. It is a definite expression of the fact that many needs still exist. That there is still a great deal of work, labour, to be done, but that just as often there is not the money to have it done professionally. In certain cases, incidentally, this trend may speed up the disappearance of the supply of certain goods and services at a reasonable price. The adverse impact of that disappearance is certainly not the same on all groups of citizens. The relatively high level of labour costs tend occasionally to lead to illegal practices to avoid social and fiscal taxes. If certain kinds of service are infected by this, it leads to accelerated impoverishment of this particular service.

The examples just given which show that changes in relative costs and market developments can often be the source not only of a positive effect on growing prosperity and need satisfaction but can also generate problems, provide a specific example of the general phenomenon that various kinds of consumption have important external effects. These may be positive, such as in the case of education, but they can also be clearly negative. Where the effects are really unacceptable on the basis of danger or nuisance the matter is relatively simple. Mandatory provisions or prohibitions are then required. Things get more difficult if it is only desired to influence or modify developments. In that case other instruments such as information or the introduction of inhibiting levies are indicated.

In the Netherlands, the concept of the guided market economy has taken shape in recent years. In fact, this amounts to correcting the growth of prosperity according to a number of selected social criteria, such as environmental and physical planning problems, natural resources and energy problems, the international division of labour and development co-operation, and finally the elements of smallscaleness and the human scale. It would take too much time to discuss in extenso here the concept of selective growth as it has developed in the Netherlands in recent years. In brief, its central theme is that, given the creativity of citizens and enterprises leading to ever changing production techniques and products, and given the open state of our economy and the positive value to be attributed to individual liberty, it is not meaningful to bring about systematic production and consumption, in the sense of a planning process, but that, considering the important effects in the fields which I have just mentioned, it is nevertheless very important and meaningful to exert some influence on the way in which production takes place. Precisely in view of the dynamism of technology and of organisational forms, it must be possible to bring the results of the national economy into harmony with the "quality standards" which we require of our society, and to keep them there. These problems have been described in the Memorandum on the Structure of the Dutch Economy. Primarily, the memorandum compared these criteria against the production side, but there is, of course, every reason to do so on the consumption side. In fact the instruments are the same mandatory provisions and prohibitions, information, subsidies and levies.

The "external" or "secondary" effects of consumption can incidentally also be substan-

tial in other areas. A simple and obvious example is the relation between the maximum speed for cars and the costs of the medical care for traffic victims. Many other examples can of course be given. For those reasons the character and composition of the consumption package can and must be influenced by society and government. By this of course I do not mean the blue-print for consumption, but adding the conscious society to the conscious consumer.

Instruments which I have already mentioned for that desired correction chosen on account of their external effect on certain kinds of consumption, are the mandatory provisions and prohibitions, information and levies or subsidies. The latter instrument we know, and have known for a very long time, in the case of merit and demerit goods. These are goods to which society wishes to attribute a higher or lower value, which in the market economy appears from the purchasing power becoming autonomously available for those goods. The use of these goods and services is then in principle stimulated or discouraged by the government by means of financial stimuli. In mentioning this "price instrument" it must be noted that, where it inhibits consumption, it can hit the man of limited means harder than the man with greater purchasing power. In that sense an indirect tax is not neutral in terms of income policy. Likewise, a subsidy for a merit good used only or largely by the middle or high incomes can also have an extraordinary effect in terms of income policy. Some recent studies have demonstrated this. Nevertheless I feel that having due regard for these two restrictions and taking them as far as possible into account, it is worthwhile for the government to make more active use of the instrument of levies, i. e. in fact the instruments of indirect taxes. Behind us lies a period in which truly all the spotlights seemed to be turned on income policy and the corresponding direct taxes. I believe that as a result the regulatory function of indirect taxes has become excessively impoverished. This must be reconsidered, not in the last place because the towering stack of direct taxes and burden of social contributions is already becoming a problem for full employment, which is encumbered with labour which is artificially too expensive; in our system of imputation, a great deal perhaps too much - is translated into labour costs. There is of course much more to be said about this. Subjects such as different imputation of the social insurance charges, however, are beyond the scope of to-day's subject. That is not the case with the desirability of providing fiscal encouragement for repairs and recycling, which is the reason why I expressly mention that example.

I have just stated that a shift from direct to indirect taxes is desirable for two reasons. Partly in order to affect the pattern of consumption, and partly in order to make a contribution towards a sound macro-economic situation by means of greater restraint in direct taxes. This brings me to another theme. That is the necessity to be cautious in the general increase of the level of consumption. This forms a complement to the necessity to pay greater attention to the qualitative aspects of consumption, as I have already advocated. But this does not take away the fact that, for some time at least, we are going to have to mark time in our economy, and the possibility certainly exists that with a view to the third world this will have to be done on a more structural basis. This brings me for a moment to the function of advertising. Advertising has a very useful informational function, and in addition it concentrates demand backed by high purchasing power in such a way that the supply of a good or service can be made at an acceptable price. A reasonable price cannot be charged without a reasonably large volume. So far, so good. And the supervision of qualitatively good advertising can have a further improving effect. But nevertheless there is a hair in this soup. After all, advertising not only concentrates purchasing power but it also stimulates need. In other words, there is not only a substitution effect (buy this product do not buy another product) but there is also an expansion effect (just wanting to buy more). Now the latter may be a reason for putting a slight brake on advertising as such; this could be done for example by means of a levy on advertising.

From the overall point of view, it may be a good thing to influence the marketing mix by making advertising relatively more expensive through a levy. However, the close link between the world of advertising and that of the mass media will not make this an

easy task. Moreover it is advisable to make detailed studies of the price elasticity of advertising.

In discussing the relation between the policy on consumption and macro-economic objectives I have already pointed to the heavy stress which with the increase of prosperity has been laid on incomes policy in the past few decades. There seems occasion to devote more attention to the development of consumption, both its patterns and its distribution among the various social or age groups. Considered from this angle, the enormous rise of the old-aged pensions for example take on a quite different significance from that of the minimum youth wage.

Looking at things from the point of view of consumption can also throw more light on typical lifetime problems, when we face a relatively tight or a relatively comfortable purchasing power situation. How should we consider the sometimes relatively high stable-value pensions, and by whom and when are and should the contributions for these pensions be paid. In our society enormous changes have taken place in the structure of the family. The average family is not only smaller but the children also leave it sooner. Far fewer parents who no longer work have to be supported by their children. On the other hand, the spending potential of the young employed persons have enlarged their own needs and thereby also those of the unemployed young persons. For some income groups this again results in relatively high costs per child for a number of years. These are merely examples, but they do show that thinking about income distribution must remain dynamic, and even assuming a perfectly equitable division of earned income, where differences in income would only exist on the basis of objective factors, even then a large number of important questions remain with respect to fair and balanced patterns of consumption.

In my paper I have summed up a number of reference points for government policy which I wanted to put forward in addition to the so necessary consumer policy in the traditional sense. In conclusion, I should like just to mention the apparently self-evident fact that consumption and consumer policy are so important right now because the level of consumption has risen to such an enormous height.

It sometimes seems as if the huge increase in the collective burden in terms of taxes and social insurance has kept the citizen short in terms of his own consumption. But that is not the case. In fact, within the collective sector the total amount of transfer expenditure has grown enormously, to such an extent that the private consumption ratio has risen to what is historically an exceptionally high level. True collective consumption and investments are relatively limited. If we consider the latter as measures for future-directed thinking (in the case of investments) or politically conscious choices (collective choices) then we are living in more of a middle-class than a heroic society. All the more reason not to hesitate in getting the welfare society to function optimally, in the sense that we must have well-informed, conscious and critical consumers, that we must always evaluate the adequacy of the range of goods and services available, also and in particular for the weaker and the small and forgotten groups, and that in conclusion we must also not hesitate to influence the nature of consumption in such a way that the overall results are compatible with the objectives of guided growth.



## The Role of Industry

Mr. H. F. van den Hoven  
Chairman of the Board of Unilever N. V.  
Rotterdam  
The Netherlands

Over the past 10-20 years a great deal has been said and written about consumers, their needs and the role of industry in supplying them. This is one of those rare occasions where all the various interest groups are meeting to exchange views in this field, and I must applaud the TNO Board for their initiative.

However, I may not entirely agree with the introduction in the Conference Programme which says that the position of the consumer has changed considerably during the last few decades and that this change is largely due to activities initiated by consumer groups. While I do not deny their positive influence I would hope to make it clear that industry has a great deal to do with this change. But industry in turn could not have made its contribution if for example the distribution network, the wholesale and retail trade had not changed considerably as well.

The government too has made its impact felt. And last but not least the consumer himself or herself is much different from 20 years ago. All I am saying is that under the influence of the various interest groups society as a whole is constantly changing and that industry - as part of that society - is itself a main contributor to this process.

Industry's *raison d'être* is to produce and market products which fulfil the consumer's needs. This can best be achieved in our mixed market economy where the consumer has freedom of choice and the entrepreneur or manufacturer provides that choice as efficiently as possible and in competition with others. This of course takes place within a set of rules and regulations laid down by the government and in certain areas also by industry itself.

The debate in a number of countries in Western society concerns whether we should maintain the market economy or whether we should move towards much more governmental intervention. With regard to the consumer, growing governmental influence might lead to a position whereby products are being considered whether or not they are in the public interest - as seen of course through the eyes of a particular governmental body. In a speech he gave to the European Management Forum in Davos the former Dutch prime minister spoke about the need for government to expand its role considerably as private enterprise was no longer fulfilling its role in the present economic conditions and in view of the problems still ahead of us.

You will not be surprised that I do not share these views since it is my belief that private enterprise is and will continue to be the driving force behind economic progress. We cannot do without its initiative, creativity and innovation resulting in technological progress and in new products which answer the challenge of the consumer's changing needs. I do accept that government has an important task to fulfil in creating a framework in today's complex economic and social structure. But it cannot take over the essential role of private enterprise and we may wonder whether in certain countries the hand of government is not becoming too heavy.

In our market economy, the demand determines supply. The entrepreneur may possess as much technical and scientific ingenuity as he likes, he may have the best employees, may have access to an ample capital market, and may spend a great deal on marketing and advertising, but this will still not ensure his success. Whether or not he succeeds depends primarily on his knowledge of the market, on his ability to "sense" existing or potential consumer demand and when he has got the right product, on his ability to meet the demand quickly, efficiently, and at the right price. If he has got all these fac-

tors and his communication with the consumer right, he will find the proof in the successful and profitable sale of his products. Production is not an end in itself.

Let us look at this market which industry serves. The market, or rather, the consumers have very different needs. They differ of course as individuals, but there are also regional and national differences in consumer behaviour and attitudes. The pattern of consumption and the need for convenience vary considerably between countries. For example in the U. S. A. frozen food consumption was 40 kg per head in 1977, in Sweden 21 kg and in the Netherlands a mere 10 kg. The best selling soup in Belgium cannot be sold even as little as 50 miles away, across the border in the Netherlands.

There are also changes in the way of living and working which are more generally known: the increasing participation of married women in the labour process, the changing family relationships, the higher standard of education, more leisure time, the rapid growth of recreation and, above all, the much greater purchasing power.

These changes are continuous and have all to do with the fundamental question: How do we see the consumer? Industry sees him as an increasingly educated one whose needs are changing and is quite capable to make up his own mind. He must not base his production philosophy on the principle that he who has the youth has the future - only to be suddenly surprised by the discovery that the market in which he is operating is rapidly becoming one of older people. As an example: in the U. S. the number of people of 65 and over has grown from 15% of the population in 1955 to 23% today. Similarly as a result of the post-war baby boom the percentage of 25-44 year olds grew from 47% in 1955 to 54% in 1975 and will reach 73% by 1985. The needs of the various age groups are very different and the shifts in population structure can be quite dramatic in fairly brief periods. These shifts often will go together with a change in habits, fashions or simply attitudes.

Let us take an example from the detergents market in the U. K. Here are some changes that took place between 1961 and 1975, a period of only 15 years. At the start of that period 90% of all shirts were made of cotton. By 1975 this percentage had fallen to 23, whilst the remainder consisted wholly or partly of synthetic fibres. At the start of the period one in every five shirts sold was coloured, but fashion trends had reversed this ratio by 1975. Around the start of the same period over half the households had to do without a washing machine, whilst by 1975 three-quarters of all families owned a machine, most of which were of the modern type. You do not need much imagination to realize what this meant for the manufacturers of detergents; their products today are as different as their market.

The businessman must be able to foresee what effect the increasing standard of education will have on consumer behaviour. He must take note of matters of an ideological nature, new ideas in the welfare or health fields. Such factors make their influence felt fairly rapidly and the producer must be standing in readiness to meet the changing demand.

It is not of course true that the consumer's wishes are clearly formulated and accessible to anyone who seeks them. The producer with his specific knowledge of his part of the market does not have a passive role in this respect, but endeavours himself to put into words and, later on, to give shape to that which the individual consumer wants. Besides anticipating such changes, he can to a certain extent undoubtedly influence them or speed them up. Since the development of new technologies and new products may take many years, research activities must be managed with these long term changes in mind.

Are not then articles frequently made or recommended by the producer for which the consumer has no need? The answer is yes, this occurs regularly. Such articles, however, disappear again thanks to the corrective power of the market in which consumer demand is decisive. Indeed this could be seen as waste, but a certain amount of waste is unavoidable, whatever the economic system.

Moreover, a failure and the costs it involves should not simply be looked upon as a loss to community. It is part of the innovatory process without which today we would not have numerous products which we consider useful or even indispensable.

One of our subsidiaries once worked out that, of every 100 ideas for product innovation, 90 has already fallen by the wayside in the preliminary stage of product development. And, of the remaining 10 which were given a try-out on the market, more permanent success was only set aside for three at most.

Whenever a new product is launched it means a risk for the entrepreneur. Risk-taking is an essential element of business life. But even after a successful launch, he knows that unless there is a constant innovation and updating of his product, the product can lose its appeal, as it does not adapt to the development of the market.

As an example I would like to mention Cup-a-soup in the United States. For years now Lipton has been market leader for dried soups - as distinct from canned soups. However, the demand has become static and new varieties had only moderate success. Then suddenly there was Cup-a-soup which within a few years changed the dried soups market completely. First there was the idea: could we produce a soup which could be consumed in the form of an instant tasty beverage by adding hot water to the contents in a cup. Then there was the technological breakthrough to make the dehydrated ingredients instantly consumable instead of requiring the normal 4 minutes' cooking time. It was followed by the marketing innovation to present the product as an alternative drink, say, for a coffee-break. This required innovative advertising, packaging in single portions and, finally, the choice of an acceptable price-setting. The response of the consumer was electric and within three years the stagnant dried soups market had doubled in value.

The continual urge for innovation, fanned on by the urge to keep one step ahead of competitors - and competition is a vital element in our economy - has led in the prosperous countries to a very wide diversity of products. Some people ask: does this really have to be? All those brands packed differently but hardly differing from one another? The producer's answer is: Yes, each one of them will appeal to a different group of consumers and if there is a sufficiently big group of consumers who want this and provided it is economically justified, we will make it and supply it. This forms part of the consumer's fundamental freedom of choice.

However, the producer bears a heavy responsibility for the products he supplies. If he makes a bad, defective or harmful product, the entrepreneur will never be able to seek refuge behind the excuse that this is what the public wants. I am not claiming that entrepreneurs never act against the public interest; there are black sheep in all walks of life. But I do say that the entrepreneur who thinks over the longer term will, also in his own interests, ensure that his activities and products do not conflict with the public interest.

In Unilever some 15% of our research costs are spent on standards, on safety-testing and on general environmental problems. At all stages in the production process there is painstaking control and an extensive clearance system which is strictly observed despite the fact that this may cause lengthy delays before a new product or a new ingredient is cleared for use on the market and it may go way beyond what the law prescribes.

Sometimes the self-interest may be hidden away in the background or may hardly be visible. One example of this is the development of our health margarines. It is now as long as a quarter of a century ago that scientific research into oils and fats in our laboratories - especially in this country, in Vlaardingen - pointed towards the importance of poly-unsaturated fatty acids in human nutrition. Because this involved substantial interests in the field of public health, we did not keep this knowledge jealously and exclusively to ourselves, but published it widely in the scientific world.

From a commercial viewpoint, the use of this knowledge in our products - above all in

margarine - was far from attractive at that time. I am now talking about the 1950s when the link between human nutrition and health was still by no means receiving the attention it does today. While we were devoting large resources to this research the medical profession was still doubtful about any link between the use of certain fats and heart disease and the consumer was not interested.

And yet we did start production: We called the product "Becel" and sold it in tins via chemists, but for a long time it made little contribution, if any, to our operating results. Perhaps our action may have created a certain amount of goodwill in medical circles, but we felt that it was our responsibility to act as we did. Today, over twenty years later, consumer preference is changing drastically and health margarines are in fact the very products which make a handsome contribution to the results of our oils and fats product group. Social responsibility and self-interest are here obviously complementary.

The question has been asked: Why does Unilever continue with the production and sale of the "ordinary" margarines, and edible oils if it is an established fact that the varieties with a substantial poly-unsaturated fatty acid content are so much better for human health in our way of living as we know it in Western Society.

Once again, the answer is that the consumer decides. In the market a decisive role is played by difference in flavour, in possible uses and, above all, in price. We believe that we give sufficient information via suitable channels and that it is not the producer's job to be patronising towards the consumer but rather, to offer him a choice.

A great deal of the successful Becel development depended on getting the right message to the consumer and to the medical profession. While I do not want to say too much today about advertising I would like to state that it does play an essential role and without it we could not market mass-produced goods efficiently to a mass-audience. It is also a field where clearly industry has a high degree of self-regulation and self-discipline as distinct from government regulations.

Most of what I have said thus far relates to the situation in the prosperous parts of the world. The chairman of this conference asked me if I would also speak about our experience in other continents. However much the economic circumstances and technical possibilities in many developing countries may differ from those in our part of the world, the basic principle - that the producer can only succeed, at least over the longer term, if he is guided by the consumer's wishes and not vice versa - still applies unabated in those countries as well.

In developing countries - more so than in our part of the world - a far-reaching adaptation is required to existing customs and tastes and to locally available raw materials and labour. Detergents, for instance, have experienced a tremendous technological development in the industrialised countries: from household soap, via soap powders, to modern synthetic detergents. Household soap factories have all but disappeared. Today therefore, our biggest factories in this field are located in the developing countries. And as far as modern detergents are concerned, we are making them too. But in some countries we produce bars instead of powders for washing fabrics which we produce nowhere else. The bar is simply an adaption of an existing product to make it suitable for doing the washing in a stream of running cold water. And in India, after many years of work, our research laboratories have enabled our factories to use local raw materials which previously were wasted as no-one knew how to use them.

Through their activities in such countries, the international companies definitely do make an additional contribution, not only to the consumer market, but at the same time via the transfer of technology in the widest sense. This conference, at which the focus is on the entrepreneur's responsibility towards the consumer, is not the time or place to deal in more depth with the development problem.

But I would like to say just this: The need for quality products efficiently produced, distributed and sold is just as great in the third world as it is anywhere else. The products may initially be more basic daily necessities, they may be produced on less sophisticated machines since there is more labour available. And industry may not be able to sell to every consumer and perhaps reach only some of them. But it is also a fact that a number of developing countries are growing more quickly than Europe in terms of GNP per head of population. We find that sales of our products in many developing countries are growing much faster than GNP as more people are brought into the cash economy. This would not be possible if we were not meeting real needs there. For Unilever this means that we are investing relatively large resources in buildings and plant, in management and manpower in order to be able to serve the consumer of tomorrow. And on the whole we do not find it difficult to do this within the framework of the long term social and economic goals of the government of a particular country.

I would now like to return to the two forces which industry encounters within present-day society when he enters the market: the consumer organizations and the government. These will, by the way, themselves have ample opportunity to put forward their views at this conference.

I have talked about the consumer's freedom of choice and the power that it gives him. I also said that he is now much better educated and quite capable of taking care of himself. But he can still do with some help as in today's affluent market with its abundant choice the consumer sometimes may lose his way and may thus start to feel overwhelmed. An additional factor is that the advisory function of the retailer changed through the growth of self-service in huge supermarkets.

This is certainly the origin of the growth of the consumer organizations which now occupy an important position in so many countries. One of the first tasks that such organizations concentrated on was helping the consumer find his way in what they called the "market maze". Comparative product tests can undoubtedly help to clarify differences in quality and can help the consumer in making his choice. The wise entrepreneur understands this and will be willing to co-operate in such tests, provided they meet certain agreed standards and allowance is made that the consumer's choice is not always rational but can be subjective.

But today there is much more to consumer-organizations than just product tests. They concern themselves with safety, with labelling, advertising, prices etc. and, sometimes also with politics. But they could go too far and risk alienating themselves from the very consumer which they serve.

Apart from the specific consumer organizations, other institutes also arose which felt the need to make their voice heard on the consumer market and to champion the interests of the consumer. When I have finished speaking, Mr. Kok will be putting forward his view that the promotion of consumer interests is also part of the task of the trade unions. And, as consumerism becomes more social, economic and even ideological in nature, the organizations, movements and viewpoints that the entrepreneur encounters on his way will increase in number and intensity. This trend and most of these organizations are now part and parcel of our society.

Another factor that has to be considered more profoundly is the cost of complying with such demands as it is the consumer who ultimately has to pay this. This fact is often overlooked and while governments, unions and consumers worry about inflation and its negative effect on the growth of the economy they should also bear in mind that these increasing demands without any reference to cost are likewise pushing up prices. You cannot have your cake and eat it - a fact that is easily forgotten nowadays.

But when all is said and done the producer must certainly pay serious attention to the

opinions expressed by the consumer organizations. For him they are signals from society, influencing economic actions as well as buying habits.

Finally a few words now about the role of government, which since time immemorial has considered it to be its task to supervise the quality of products and to keep a watch on market relations. This is understandable and necessary, especially in order to combat less scrupulous practices and the abuse of market positions. By the way, it is my opinion that - apart from the producer's own responsibility - the strongly increased influence of mass-media today also constitutes a protection for the consumer against harmful practices.

There is a clearly noticeable tendency for the government, both nationally and internationally, to extend further its interventions in the consumer's market. In part, this is occurring under pressure from consumer organizations which feel that business is not devoting sufficient attention to their wishes. It also fits within the changing view of the government's role as regards the entire economic and social system.

The latest E. C. draft directive on marketing and advertising is a case in point. It completely ignores the fact that industry in the member states has already developed a most effective system of self-regulation. Often this was achieved within the basic legal framework built up by the governments. Instead of regulating everything by law, it would be better and more effective to combine legislation with self-imposed codes. Certainly in advertising, industry is discharging its responsibility very well.

In the light of these developments I would like to warn against one-sided decision-making and make a plea for ongoing constructive consultation between producer, consumer and government. The producer will have to retain sufficient latitude to enable him to experiment and invest so as to ensure the continual innovation of products and processes. If these safeguards are given, it will in fact be the consumer who will benefit most.

The Responsibility of the Trade Union Movement in the Field of Consumer Policy

Mr. W. Kok  
Chairman of the Confederation Netherlands Trade Union Movement (FNV)  
Amsterdam  
The Netherlands

Consumption: a means or an end?

"If steps are ever taken to put a consumption policy into practice, their echoes will be heard in the field of employment policy. Any social programme will then become a subtle game, the balancing of one force against another."

These words, ladies and gentlemen, were written by a Belgian professor, Dr. E. J. Leemans in the memorial brochure "Movement within the Movement", produced for one of the Netherlands trade union centres in 1969; and that was in a period when the idea of a consumer policy was hardly considered.

Policy was confined, at least in the majority of West European countries, to the narrow aim of consumer protection, and any sort of systematic approach to this topic was almost unheard of.

He anticipated a development of which the signs were first seen in Western Europe at the time of the energy crisis of 1973.

Up till that time, almost every form of consumer movement was based on the growing need to give the consumer better protection.

Even the basic rights of the consumer, formulated by President Kennedy in his "Message to Congress on Protecting Consumers' interest", were concerned only with safety, free choice, information and legal protection.

I would like to stress from the start the development from consumer protection to consumer policy, because it contains an extra argument for the labour movement to intensify its involvement in that consumer policy.

In the first part of my address, I would like to deal with the often-heard opinion, contested by me, that the trade union movement is in fact an organization concerned solely with production and, as such, can never represent the interests of the consumer.

The theme of this TNO-Congress, ladies and gentlemen, leads me to make myself absolutely clear.

Since there is talk of a "Dialogue between Industry, Government and Society", you will undoubtedly wish to know which of those three points of view I represent at this Congress.

Some of you may well believe that my role as speaker must have a dualistic character. I hope to make it clear to you that such a dualism is inevitably associated with the complicated structure of our society, in which many areas of policy fringe on each other and influence each other, whilst the objectives of the trade union movement force it to assume that this dualism is a social reality.

That the trade union movement should make a clear choice for the interests of the consumer is for me a natural course, taking into account the objectives of the trade union movement.

The trade union movements in different countries have not all been cast in the same mould.

I am not referring to the differing positions of the trade union organizations within varying political systems, but to the differing aims of those organizations in their different countries.

In view of the international composition of the company present here, I shall try in a few sentences to do justice to the objectives of the trade union organizations in a number of West European countries - The Netherlands included - and to the fields of policy in which they operate.

For this purpose I must make a distinction between a trade union and a federation of unions.

A trade union always operates within an industry or an industrial sector and concentrates its activities primarily on labour relations and labour representation within the industrial sector concerned; in addition, it involves itself with matters of a wider social nature. Trade unions, which are in many cases members of a co-ordinating federation, often delegate so to speak activities of a broader nature to that federation. This is invariably the case with the promotion of the welfare and well-being of employees and their families, an objective which is also statutory.

In these broad fields of activity, the member unions are directly involved in both policy preparation and decision making.

The activities of trade unions and trade union federations are thus interconnected and also overlap.

It will be clear to you that a trade union movement which is to make real contributions to the improvement of individual welfare, cannot confine itself to the factors of income development and incomes distribution.

The material welfare of the individual is inevitably and in great measure determined by the purchasing power of his income.

If the trade union movement is to meet its objectives, it must act at all three points of the triangle formed by income development, incomes distribution and purchasing power. There are some people who believe that the roles of the employee and of the consumer cannot be combined.

In his study "The age of discontinuity", Peter F. Drucker even goes so far as to plead for a large number of specialised organizations within the community, each of which would further a specific interest of the community or of groups within it.

He bases this philosophy on the pluriformity of the community and has named it "neo-pluralism".

Such an approach, in my opinion, ignores two realities.

In the first place it is crystal clear that every employee is also a consumer, and that therefore the idea of "combining the roles" never enters the question since these roles cannot ever be separated. It is not only the community which is pluriform; the individual, who has various social roles, is also pluriform.

Indeed, social roles may come into conflict with each other, even within a single individual.

This conflict presents the individual with a choice; a choice which he will make on the basis of his own preferences.

The trade union movement can also be confronted with similar problems of choice in the wider aspects of its tasks.

It is precisely because the trade union movement must take into account many interests that it offers large sections of the community the most appropriate framework, a framework in which the diversified sectional interests can be considered in a responsible manner. The trade union movement, with its pluriform tasks, thus directly matches the pluriform nature of the individual in his various social roles.

An organization based on the neo-pluralistic model will always tend to put its own narrow interest before all else, without any consideration of the possible negative effects this may have on other sectors of policy. In itself, this need not be objectionable in view of the fact that such organizations usually define their objectives very clearly.

The second remark I would like to make concerning the philosophy of neo-pluralism relates to the development trends which we have been able to observe since the energy crisis of 1973.

There is a constant and strong necessity for a special approach to consumers in the field of socio-economic affairs. This growing need is a logical consequence of the increasing structural complexity of the industrially-productive society, in which not consumption but production is the keynote.

More than 200 years ago, Adam Smith warned against this in his "An Inquiry into the Nature and Causes of the Wealth of Nations". In this work he stated: "The interests of the producer deserve attention only in so far as they are necessary to further the in-



terests of the consumer".

It is cheering to note that this little-known statement of Adam Smith is becoming more often quoted, particularly since his policy of "laissez faire" is even now still used in many countries as the fundamental justification for policies devoted entirely to the interests of the producer.

A consumer policy which goes further than measures concerning information, safety, freedom of choice and legal protection, and which is forcefully put forward by the trade union movement, must of necessity be formed within a broad economic and social framework. Such an approach to policy would make it impossible not to take into account the secondary effects of both production and consumption. I have in mind here the demands on limited space, capital equipment, raw materials and energy, and the effects upon our environment.

At the same time, however, a well-considered choice must be made between individual and collective consumption; between the possibilities of consumption now and in the future.

In addition, the world distribution of consumer goods must really be reckoned among our communal responsibilities.

In the Netherlands we describe this broad approach as an "integrated" consumer policy. Such a policy will have many facets which will touch other areas of policy in which the trade union movement is active.

In the case of traditional consumer policy, the work of the trade union movement could be restricted to a supporting role; if the integrated consumer policy is worked out further, then the trade union movement will have to participate actively, since its fundamental policies will be affected.

In this manner, a contribution could be made to a policy of selective growth as well.

Apart from my opposition to the theory of neo-pluralism, there is more than ample reason for the trade union movement to occupy itself with improving the position of the consumer.

Surveys in England, the Netherlands and elsewhere have shown that it is primarily individuals with a secondary or higher education who feel themselves attracted to specific consumer organizations, and this finding is easy to explain.

The main activity of such organizations has always been the provision of information and guidance, based on research, and the groups mentioned above are exceptionally capable of using the information provided to form their own judgements.

You will understand that the trade union movement, which also represents large groups of the community who have a lower level of education, will work towards a drastic improvement in the situation of precisely these groups as consumers.

This is all the more important since these groups enjoy only modest incomes, and a bad buy of any importance can very easily reduce the quality of their living standards. In this respect, I will refer to the growth of hire-purchase loans in the Netherlands.

The virtual compulsion to buy, stimulated by some advertising campaigns and selling techniques; the so-called simple methods of borrowing money; the glossing-over of the real costs of hire-purchase credit - all these appear too often.

The lack of knowledge of budgetting and the powerful position of the banks and insurance companies as providers of cash, lead many thousands of families in the Netherlands to total bankruptcy every year.

It is obvious that those with the lowest levels of education are often the victims of this complicated and obscure business activity.

The trade union movement considers that part of its work is to protect them so far as this is possible.

Before I develop my theme further, I must once again try to give you an idea of the situation in the Netherlands; a situation which appears with local variations elsewhere in Western Europe.

I have already suggested that, within the scope of traditional consumer policy, the role of the trade union movement is one of support. This could be taken to mean that the trade union movement sees the traditional policy as of minor importance.

Nothing could be further from the truth!

In the Netherlands, the trade union movement is an important partner in the Institute for Consumer Contact, a full-blooded consumer organization, one which is moreover strongly oriented towards the less fortunately educated levels of the population. I can tell you that reaching and gaining the interest of this group is no easy matter. In addition, the consumer programme recently published by the European Trade Union Confederation, is evidence of the rapidly increasing importance given to a wide range of consumer questions by the European trade union movement. I shall not trouble you with a list of all the points for action contained in this programme, but I can assure you that the whole of traditional consumer policy is embodied in it.

Now, ladies and gentlemen, I come logically to the second part of my introduction, the part to which I have given as title the somewhat rhetorical question: "Consumption: a means or an end?"

At first sight, the answer to this question appears obvious. Consumption, which is really synonym for the satisfaction of needs, is inescapably the ultimate purpose of all economic activities or, rather, of all sane economic activities.

I stress the word "sane", because all too often production is pursued senselessly, and this is most clearly revealed when consumers refuse to buy the products offered.

As a demonstration of how successfully the market mechanism really works in our community, industrialists and businessmen point out that eight of every ten new products fail to sell.

The Federation of Netherlands' Industry (VNO) and the Netherlands Federation of Christian Employers (NCW) state in their brochure on consumers and consumption policy: "It is primarily the market mechanism which provides an undertaking with information on the preferences of consumers, so that the undertaking can deploy its production capacity to meet those preferences".

These two producers' organizations continue: "By means of this relationship the buyer, as a private citizen, expresses his decision whether or not to buy the goods offered. In this respect the mechanism of the productive system must be seen in principle as an instrument by means of which the consumer is given the opportunity for collaboration and trial, at the shop counter so to speak".

I will merely touch upon the internal contradiction in these two passages: it is said in the first that the producer sets up his manufacturing process only after he has learned the preferences of the consumer, while in the second it is stated that the manufacturing process is set up first and the marketability or otherwise of the product is then determined from sales.

I shall not go into the effects of the permissible, and sometimes impermissible, methods of fogging the buyer, of advertising and sales techniques etc.

All the same, I must make it clear that the free-market mechanism, so highly-praised in some quarters, leads to an immeasurable waste of inventiveness, human effort, raw materials and energy.

You will not hear me claim that such waste could be avoided under a different economic system.

I am, however, of the opinion that the introduction of a well-considered, multi-faceted policy, which would take into account the already-mentioned secondary effects of production and consumption, combined with consultation and information, could lead to broad-based social planning which would lead to a better restriction of this waste.

I will not, however, anticipate the conclusions too much, and will keep for the moment to the current situation.

It has been established that there is a clearly growing concern for the interests of the consumer.

Since the formulation of the constitutional rights of the consumer by the late President Kennedy, cited earlier by me, governments in Western Europe have also turned their attention to consumer questions; in some countries more than others.

I would like to refer also to the resolution of the Council of the European Community

dated 14th April 1975, concerning a primary programme for the protection and information of the consumer; and to the resolution "on the consumer policy of the Community", passed by the European Parliament on 14 September 1977.

In the Netherlands also, the interest in consumer affairs has been taken up by the government, although it is disappointing to note that, in spite of the pressures exerted by consumer organizations and by the trade union movement, the Netherlands are not in the forefront of European countries, so far as the support of consumer interests is concerned.

Sadly enough, I must admit that in the Netherlands the government still lacks any view on consumer policy.

Certainly, there has been some improvement in the area of consumer protection over the last few years, and a broad consumer policy is under study.

The absolute lack of adequate manpower and resources leads nonetheless to unacceptable delay.

The development of a view on an integrated consumer policy and the building up of machinery which is adequate for transforming the view into a concrete policy deserve, in my opinion, a high priority.

In this connection it is proper to ask whether the Netherlands should not have, at least, an Under-Secretary of State responsible for this field of policy alone; a field which furthermore cannot be confined to consumer protection only.

Once again, this traditional consumer policy - the protection and information of the consumer - is clearly important, but a much wider policy framework is necessary if a practical and integrated consumer policy is wanted, a policy in which consumption - meaning the optimum fulfilment of needs - is accepted as a primary objective of social and economic politics.

In the light of this, it is incomprehensible that the Minister of Economic Affairs in the last Netherlands Cabinet omitted consumption completely from his extensive paper on the structural policy to be introduced.

That was in 1976.

It has been promised, however, to add an additional paragraph on consumer policy.

The Interdepartmental Committee on Consumer Affairs, in its Annual Report:

"Government Policy - Consumer Affairs during 1976 - 1977" stated:

"Consumption policy - regarded by us as an integrated consumer policy since consumers and consumption policy belong to a single area of policy - aims at establishing conditions which will further the optimum fulfilment of needs, by means of and as a result of the purchase and use of goods and services, in conjunction with the objectives of socio-economic and multifaceted policies".

Such a definition has my complete approval, but a government which formulates such a definite policy should also give it form.

I am drawn to the proposals of President Carter, by which he intends to reduce the amount of energy used by motor vehicles.

In the Netherlands, where there is also a difficult energy problem, measures have been taken which fail completely to take into account the corresponding consequences for the consumer.

- The price of natural gas has been increased, on the grounds that this increase will reduce private consumption, ignoring the fact that the relation between price and demand is nearly inelastic.
- The value-added tax (VAT) on natural gas is to be raised from the low rate of 4% to the high rate of 18%, which contradicts the principle of the VAT rate-structure, which reserves the low rate to products which are necessities of life.
- The subsidy for the thermal insulation of existing dwellings has been reduced from 33% to 22%.
- So far as energy-consuming products are concerned, the government (and this ap-

plies to other European countries) confines itself to striving towards provisions for the voluntary introduction of energy labelling by manufacturers; a voluntary action from which I expect very little.

Ladies and gentlemen, with these examples from the Netherlands I want only to indicate how greatly working policy sometimes differs from the policy objectives laid down on paper.

Such differences are not confined to the Netherlands.

There are many other measures which could be taken, and which would certainly be more effective, and which would moreover take better account of the interests of the user.

To name only a few:

- Better use of building regulations concerning the insulation of dwellings.
- Higher subsidies and more information concerning the insulation of existing dwellings, including rented dwellings.
- Regulations affecting the efficiency of energy-consuming products.
- Regulations for the compulsory indication of the energy consumption of these products, combined with effective explanatory information for the user.
- The encouragement of and possible participation in projects for the development of alternative energy sources, such as wind and sun energy.

I cannot escape the impression that an integrated consumer policy is currently regarded too much as an instrument for achieving aims which, although important, are not the final one - the fulfilment of needs, to which insufficient attention is paid.

It is not my intention, ladies and gentlemen, and it is not in my power, to show you a blueprint for an integrated consumer policy, and the reason for this is that such a broad field of policy touches upon so many others.

As examples only, I can name public health, housing, town and country planning, the environment and energy policies, but I would like to add to these employment policy; naturally a tender area for the trade union movement.

Without doubt, you will all know of the arguments, originated in the USA and since carried over into Europe, concerning aerosol spray cans; an argument which will certainly have some effects upon employment opportunities in the product sector concerned.

These examples are intended only to indicate the complexities of an integrated consumption policy.

The continuing lack of a policy plan must not be taken as the justification for the absence of a policy.

I believe that a consumption plan can in fact be introduced by any government which, by its policy decisions, recognises consumption as an end and takes it firmly into account.

It appears to me that this is primarily a question of mental attitude of politically responsible officials.

The actual political climate in the Netherlands gives little cause for optimism.

The official declaration of the cabinet of Mr. Van Agt gave us not a single sign that anything is to be done with regard to an integrated consumer policy.

Moreover, I am of the opinion that the proper co-ordination of such a policy demands a governmental official, and one who has available adequate authority, machinery and manpower.

It will not surprise you, ladies and gentlemen, that some developments and claims concerning consumer policy have been viewed with great suspicion from the producers' side.

Richard Burke, the European Commissioner for consumer questions, declared before a meeting of the European League for Economic Co-operation:

"So far as consumer policy is concerned, we are simply trying to take all measures to change the balance of the market in such a way that the consumer regains his lawful precedence in the economic system".

Superficially, this statement seems to confine itself to traditional consumer policy, but Mr. Burke will certainly have realised that, for the consumer to receive his lawful precedence, many measures will be required, and more radical than mere improvements in consumer information and legal protection.

It seems apparent, from the policy documents of the Netherlands producers' organizations I have already cited, that producers are also thoroughly aware of this development.

Moreover, although I have many objections to that document, I would like to express my appreciation of the fact that producers are also involving themselves in consumer questions.

Unfortunately, unconditional belief in the mechanism of the free market and in producer-consumer relationships based on voluntary regulation are the foundations of this vision, which itself includes the idea that "producers and consumers must be aware, above all else, of the effect of their behaviour in the sphere of social scarcities".

My question at this point is: "How can the consumer help to combat further pollution of surface waters by phosphates, when phosphate-free detergents are almost or completely unavailable ?

By giving up washing ?"

Of course the consumer has his own responsibilities, but one must bear in mind that the consumption pattern of the individual is very largely determined by what is produced.

The levers of an integrated consumer policy are more often to be on the machinery of production than on that of consumption, particularly where scarcities and environmental effects are concerned.

It is too often thought or suggested that the introduction of an integrated consumer policy would lead to a restriction of consumers' freedom.

Quite recently, Mr. Bons, Chairman of a large retail organization, stated: "If consumption is to be judged against other forms of policy, and is to be evaluated in terms of undesirable social effects, the criteria used cannot be other than coloured by ideological or political attitudes".

Such a blunt proposition ignores, for example, the effects which continuing waste and pollution will have upon the future possibilities for consumption.

I consider it unacceptable that the welfare and well-being of future generations should be sacrificed upon the altar of our absolute freedom to consume - a freedom which, in any case, exists only in theory.

If thorough consideration shows that a restriction of current consumption is necessary in order to guarantee reasonable welfare in the future, then we should accept this as a part of our responsibility towards coming generations.

Some control of production - in its extent and its nature - does not in any way mean that government would decide what was ugly or beautiful, useful or useless, or needed or unneeded, in the way that Mr. Bons and others would have us believe.

Such statements are intended only to oppose the development of some degree of social responsibility in the production process.

The changes in the package of goods and services offered and which would result from an integrated consumer policy are by no means new and concern only those restrictions which arise from the secondary effects of production and consumption.

The limited availability of production capacity has always determined the composition and the volume of goods and services, but has never properly taken into account the interests of the consumer.

Since the limits of expansion can be seen with increasing clarity; since shortages of fuel and other raw materials threaten us; since living conditions are threatened by un-

acceptable pressures, and since the unequal distribution of welfare over the world becomes more painful, the need for socially-responsible production, as I see it, becomes more and more real.

What is wanted is the optimum fulfilment of needs, and not the maximum fulfilment of needs.

To ignore the economic and social context of production and consumption shows the absence of a sense of reality.

The trade union movement does not want an integrated consumer policy which pursues the restriction of consumer freedom as an end in itself. Anyone who can suggest that is caricaturising our ideas on society and the means of governing it.

With that, ladies and gentlemen, I will round off my address.

I have pointed out some symptoms of an increasing interest in the position of the consumer and in the position and significance of consumption.

I have, however, up till now omitted one symptom and to continue to do so would be discourteous to our hosts.

The fact that the Central Organization for Applied Scientific Research has organised a conference on the theme: "Consumer Interest and Manufacturing Considerations" also indicates this increasing attention.

I believe that it is of great importance that independent laboratories should also involve themselves more actively in consumer affairs, precisely because organizations such as TNO have a wealth of know-how and inventiveness available.

In this respect I have listened with attention and pleasure to the thoughts Dr. Stuyt developed on this subject in his opening address.

I think I have said more than enough about the role of the trade union movement in consumer policy.

Recognising that the trade union movement has not always given the highest priority to traditional consumer policy, I can assure you that in the last few years it has paid increased attention to both traditional and integrated policies.

Naturally, the trade union movement remains an organization of employees, and concentrates its attention on the role of the employee, but since social roles cannot be mutually isolated within a broad-based trade union movement, the latter must make consumer policy a more integral part of its total employee policy, so that it can contribute to the maintenance, and indeed the betterment, of individual welfare, now and in the future.

The fields of interest which the Confederation of the Netherlands Trade Union Movement FNV wish to put foremost in the development of an integrated consumer policy correspond (naturally) with the principles laid down by the consumers' organization Konsumenten Kontakt in its programme of action for 1977; for the trade union movement is participating in this organization.

I cite some points of interest:

- The consideration of the whole package of social provisions, goods as well as services, in the light of the possible sacrifices they would demand in terms of labour and natural resources.
- The division of the resulting package between collective and private consumption.
- The distribution of available income over the various items of expenditure.
- The opacity of the market, which makes it impossible for the consumer to make a true choice on the basis of product comparison.
- The extremely weak position of the consumer, in which his fundamental right to equality with the producer has become a fiction.

It will not surprise you that I view the role of government, both nationally and within the framework of the EEC, as extremely important with regard to an integrated consumer policy.

Certainly with respect to the points of interest I have mentioned.

It is government which must frame such a policy and give it weight via laws and policy measures.

This supposes an active policy, and in the Netherlands a start has been made, even though it is still hesitant; a policy moreover, which cannot remain entirely in the hands of the Ministry of Economic Affairs.

My thoughts on the responsibility of politics towards consumer policy are already known to you.

I believe also, that one of the tasks of government is the stimulation of some activities. This occurs incidentally, with research into alternative sources of energy, for example. A systematic policy, however, is often lacking.

A government cannot remain satisfied with research conclusions, that Citrex S 5, for example, is preferable to phosphates in detergents from the point of view of toxicity and ease of decomposition; government must add its own conclusion and stimulate the replacement of phosphates.

If this step does not produce results, legal measures can be introduced.

I have deliberately simplified this example; its meaning is that a change in mental attitude is required, and I have said this before.

One condition is that government, when preparing policy, must ensure adequate consultation with the various groups involved and, mindful of the words of Richard Burke I have quoted, particularly those representing the consumers' side.

The manufacturers, collectively, are concerned with such policy preparation, as are the consumers, collectively.

But - as I have already stated - government policy up to now has been for the far greater part directed towards the interests of the producers, and ignored those of the consumers.

In a recent article Hans A. Pestalozzi, Head of the Gottlieb-Duttweiler Institute, Rüschiikon, Switzerland, speculated "whether industry is really prepared to come to an understanding with the new user, or critical consumer, and to support and activate him in the interests of the well-being and happiness of us all".

In my opinion, Pestalozzi rightly draws attention to the need for a dialogue, which must be started between producer and consumer, and in which industry should be willing to yield for a while the privileged position it has unjustly been given.

In addition, the "golden calf" of industrialised society - the principle of the competitive economy - must be displaced because, as Pestalozzi rightly suggests, as soon as self-interest passes a certain limit the consequences for the common interest become disastrous.

Industry must realise that the critical consumer does exist - if still on a modest scale. I have already mentioned some signs of this.

Any backing away from this reality will only aggravate the argument which is becoming inevitable.

In spite of the sub-title of this Congress, it will surprise neither you nor me that there will be hardly any practical, preparatory policy dialogue.

What I am sure of - and I acknowledge the hand of the organisers in this - is that this conference will offer the opportunity for the exchange of ideas and views, and this exchange could form the basis for further dialogue.

It is therefore particularly cheering that the TNO Central Organization has offered the trade union movement opportunity to declare its support for the consumer.

## The Role of Consumers Organizations in Europe - Past and Future

Professor Dr. J. M. Dirken  
Chairman of the Netherlands Consumers Organization  
The Hague  
The Netherlands

The role of being a consumer is an indispensable one for all human beings. In order to survive and to maintain a certain degree of physical, mental and social well-being we consume goods, services, information, energy and environment. Manufacturers, politicians and scientists are consumers too, although we may assume that this common and primary role is not always regarded by them as their most characterizing social label.

This more than just playing with words. Already two centuries ago Adam Smith stated: "Consumption is the sole end and purpose of all production". Notwithstanding the long tradition of this insight and although the predominant place of the consumers role is so obvious, it seems necessary to devote an international conference to problems concerning harmonization between consumers and manufacturers and to a dialogue between several parties to solve these.

As long as individual consumers or households can produce directly and satisfactorily for their own needs, it is natural that some harmony between production and consumption results. In societies, where the division of labour and diversification of roles has not yet reached our level of complexity, this indeed seems to be the case. Cooperation on large scale and specialization enable us, however, to improve our standards of living and the population to attain numbers of billions.

Never before in history in our Northatlantic community so many people have lived a better life than these days, have consumed goods and services of the present high quality and broad diversity. This satisfying remark does, however, not apply to all groups of our society, neither to all goods and services; this statement does not imply either that not much more has to be improved. It is on the contrary salient that the presence and near future require all our efforts and creativity to change our course, lest production and consumption will destroy our culture, peace and environment.

Basic to our actual wealth and to the problems how to maintain it, is this harmony in the long run between consumption and production. In our society we try, at least theoretically, to uphold the balance by mechanisms, through which manufacturers know what consumers need and serve them accordingly. On a free market an exchange of information about needs and goods can take place. On a scale beyond the small market of the village this exchange becomes, however, more and more complicated. The flow of information tends even to be chaotic; the role of the consumer is not simple anymore. Manufacturers produce for anonymous masses and on the market appears a large variety of goods and services, offering a broad possible choice, serving a multiformity of functions, from essential to marginal ones, exhibiting in fact an unsurveyable abundance. It needs almost an expert to survey the market, to find the items needed and to judge and compare the qualities.

Due to packaging, styling and technical complexity, an average consumer is, if unassisted, hardly capable of weighing the relation between price and quality, e.g. performance, reliability and lifetime.

The published results of comparative testing, being the main products of consumers organizations, therefore play an essential complementary role for consumers. The impression could be that each of the items, undergoing comparative testing and publication, is only a minor part in the total of assets and services, that an average family buys and uses. One should not forget, however, that the items investigated are meant to be an unexpected sample out of all products and services and serve the pur-



pose of guarding the quality and price on the entire market. Furthermore all these goods and provisions constitute the means of leading a reasonable life, varying as they may from bare essentials, through adding to daily comfort, up to sheer luxury. They are not only a functional basis of well-being, they also absorb the largest part of the family budget.

Another wrong impression could be that these assets, which are very often small and simple, if compared with large investments in business, are hardly relevant for our industry and economy. All the family budgets, however, do not only amount to a substantial share of our economy, it is also true that the bulk of industry, beginning with raw materials and ending in consumer durables and non-durables, serves the final Smithian consumption. Consumer interests form a core of our social system. Nevertheless, the balance will only be made on the market, if the consumer chooses as a wise and critical consumer, for himself and for his social surrounding, for the moment and for the future. The system can only work, if manufacturers and suppliers meet on the market well-informed and able-bodied consumers, which make manifest which course the economy should follow. To enhance the well-being in our complex society, to make more efficient use of our technologies, energy and materials, the first requirement is the appearance of a conscious consumer. Also governments need him badly.

Because of these shortcomings in efficiency and satisfaction, it is logical that government, commerce and industry and consumers reacted. The first mainly by adjusting legislation and by creating new frames to protect and sometimes to restrict the freedom on the market. If this freedom, for instance in a certain sector, results in the death of competition, in unsafe products, or unreasonable prices, then governmental legislation and agencies should restore the balance. Commerce and industry reacted by professionalizing trademanship and by making marketing more scientific and more socially oriented. The third party involved, namely the consumers, reacted by getting organized. Organization in unions follows the model of labour unions and also to some degree of employers organizations and seems to be an effective way to enhance influence and power. For a harmony and a balance a countervailing power proved to be necessary. Needed was an organization of conscious and critical consumers, which try to fill the gaps of information by publishing, judging, negotiating and educating and which try to restore and strengthen the independence of the consumers market-position.

With the growth of these consumers organizations, mainly in Western Europe with their actual functions and policies and with some probable trends to the future, I will deal in some more detail. The past period we have in mind covers roughly the last 25 years. Another important feature of the picture is that Western Europe has been hardly a melting pot of consumer culture and governmental traditions, but rather a mosaic of many different processes and balances. Consumers organizations therefore tend to appear in many different forms, also within the same country, and start at different moments. This mosaic of organizations, to defend consumers interests also changed substantially in this period and is still a dynamic one. Nevertheless, some common traits can be distinguished.

The development of the consumers movement evolved along three lines: Consumers Unions, Federations of Housewives, Labour Unions.

Consumer Unions have been in most countries the first to start a consumers movement. These unions were strictly dependent on contributions of members or subscribers and followed the American pioneering example of giving comparative buying information, based as much as possible on objective and independent investigations. In the beginning these investigations were sometimes primitive, because of shortage of financial and technical means and also because experience had to be accumulated slowly in this new area. After these 25 years, however, the body of knowledge and of methods with regard to comparative testing of goods and services has matured and begins to be recognized as a full-grown branch of applied research. From the onset the objective of gathering

and publishing this information was to counteract deceiving advertising, unsurveyable product differentiation and unsafe or low-quality products.

- The pioneering example was the American Consumer Union, founded more than 40 years ago in 1936. The main criterion for the size and influence of such a union, is the number of subscribing households. At the moment this is about 2 million, meaning a penetration of one out of 25 households in the U. S. A.
- The Dutch Consumers Union followed in Europe in 1953, having now nearly half a million of subscribing families, meaning a penetration of one out of 10.
- The British Consumers Association started in 1957, has now about 660,000 members, serving one out of 20 households.
- The Belgian Consumers Union started in the same year as the British, has 270,000 members; one out of 10 households.
- On the opposite side of the globe in 1959 the Australian Consumers Association came into existence, uniting now about 150,000 members, being a penetration of one out of 20 households.
- The American and Australian were mentioned too, because these together with the three Western European organizations began in 1960 the International Organization of Consumers Unions. The goal of this IOCU is to promote consumer movements all over the world and exchange internationally experiences and knowledge and to support each other mutually. The first objective has been rather successful, in view of the fact that now more than 100 consumers organizations from 44 countries all over the world came into being and joined the IOCU.
- Because of more pronounced common interests, namely the common market, the EEC countries founded the Bureau of the European unions: Bureau Européen des Unions de Consommateurs. This bureau resides in Brussels and defends the consumers interests on the EEC governmental level.
- In Western Europe a special place is being taken by the German foundation for comparative testing, the Stiftung Warentest, founded in 1964 at Berlin. This foundation was created by the German government and was initially amply subsidized. Now its magazine "Test" is the largest in Europe; with about 800,000 readers it reaches one out of 18 households in the federal republic.  
The number of households, regularly informed by these unions and often receiving other services too, is still increasing.  
Also a steady growth can be seen in their supranational coordination and influence.

The second line of the consumers evolution is that of the federations of housewives. These were established firstly in the Scandinavian countries. Denmark for instance has since 1947 Forbrugerrådet. They have a federated structure and emphasize education, formation and handling of complaints.

As can be expected, they developed care labels for textile and other products and their information service mainly concerned relatively simple household appliances and the work of housewives. Other examples in Europe are the Belgian UFIDEC, Union Feminine pour l'Information et la Defense du Consommateur, in being since 1959. In Holland the IHVA exists since 1926, an institute for consultancy concerning home economics and home technology, being a bureau of the Dutch Association of Housewives and known by their marks of approval on many products. In this line we can include the movement of the Cooperatives. In France, for instance, the FNCC: Fédération Nationale des Cooperatives de Consommateurs, works since 1912.

The third line of evolution developed through activities of the Labour Unions. Not in all Western European countries the Labour Unions were concerned with consumers interests to such a degree that they formed separate organizations for this purpose. In most countries, however, some stable connections can be found between them and organizations from the first or the second group mentioned before. In France, for example, the so called ORGECO: Organisation Générale des Consommateurs, was founded in 1959; in Holland we have the Stichting Konsumenten Kontakt. Although it can be assumed that for Labour Unions the defence of consumers interests is only a derivation of their main objective and is, consequently, of a secondary im-

portance, the power they have gained could contribute to the countervailing power of consumers. This is only true so far as both types of interests coincide, which is not always the case. A few years ago, for instance, we had the conflicting issue of opening hours of shops during evenings, where the Consumers Union began an action for more hours and the Labour Unions opposed it. Another issue of controversy is minimum prices, rejected by Consumers and pursued by Labour Unions. Real conflicts, however, are very exceptional, though it should be stressed that the roles in our economic order must be clearly distinguished.

During the last ten years it can be seen that the differences between the three groups in the consumers movement eventually fade away. Each of the organizations has broadened its working area. The Consumers Unions began to spend much effort in handling complaints, in addition to their testing. The second and third group have also begun comparative testing, at least publishing its results and also work these days on giving individual information. The scope of comparative testing has been broadened too. Not only do we see that services begin to be as important as goods, but also that a shift occurs in the direction of services offered by government of health care, of environmental and energy problems. Long term effects of mass consumption are moving towards their centre of interest.

Consumer representatives can now be found everywhere in several National Councils and in many consultative, negotiating or coordinating committees of the government, commerce or industry. The stereotype, that the consumers movement consists of small units for advising on the best buy only, does not hold anymore.

This picture of the development of organizations in the consumers field is incomplete, if we omit a fourth group: that of the local or regional Consumer groups. In most of the Northatlantic countries these can be found. They mostly form some mutual association within each country, or have organizational ties with a Consumers Union. In the U. S. A. they unite through the American Council on Consumers Interests; in Great Britain is a National Federation of Consumer Groups and in France the Union Fédérale de Consommateurs. These local groups vary substantially in many respects; in general they tend to be subsidized by local or regional governments and their tasks are mainly giving information and handling complaints.

The foregoing sketch of the necessity and right of existence of consumers organizations, of their growth and beginning international coordination, could easily be followed by many examples of minor or major shortcomings on the market and of publications and actions by the countervailing power, some of them failures much more successes.

It seems better, however, to analyze the general strategy of the consumers movement. If the objective is to support wise consumers and to strengthen their position on the market, which then are the principal types of solutions to reach that goal? The following three types can be distinguished:

1. To create a frame of behavioural patterns, agreements, standards and laws for commerce and industry, for consumers and for the government, which enable each to play their appropriate, mutual economic roles in a safe and effective way. An example is the voluntary code that the advertising branch follows in several countries. In the Netherlands such a code exists for printed advertisements and its implementation is being checked by a mutual committee of profession and consumers. Another example is the growing participation of consumers organizations in national or international committees for standardization of goods and procedures. Marks of approval also constitute a kind of agreement between commerce and industry and consumers. The mark guarantees that specific requirements have been met. Another type of agreement is the standardized buying contract, as these have been developed in several branches. Some have been made by commerce, others by consumers organizations to counter

the one-sidedness of the former or in order to normalize sales in new areas. Sometimes the consumers organizations made these standards to stimulate and precede official legislation in this branch. With reasonable success several consumers standard contracts were made in France, Belgium and the Netherlands. The most important area is, however, legislation. It is commonly accepted that laws are necessary for matters of safety and health and, although considerable differences occur between countries in this respect, much legislation can be found in all. Legislation should, however, cover more and the EEC is a slowly but steadily working body to redesign, harmonize and elaborate this area. It should not be forgotten that at least a fair protection of the consumers position is wanted in our complex society. Legislation should direct, but of course not ruin the manufacturing opportunities. It is good to know that in history new legislation has often proven to be a major instigator of industrial and commercial innovations. (Legislation on energy and materials saving will undoubtedly do the same).

2. The second type of solution, in addition to the preceding frame of agreements, is the development of improved information systems. In order to establish some balance between consumption and production, two flows of information should be present. The first flows to consumers, informing them about price and performance of specific goods and services; the other flows to producers in order to tell them what the needs are and how sold utilities satisfy. Thorelli has published a model of, what he calls, the pluralist market communication system, in which it can be seen that a large variety of media and messages exist.

It has been repeatedly assessed that most advertisements, not only by their number and abundance, but also by their contents, convey insufficient information on the functional qualities of goods. They draw sometimes attention, but give seldom adequate information on which a wise choice and effective use could be based or anticipated.

Packaging and labeling is another means for sending a message to consumers. If the message is restricted to vague claims of health, happiness or social status, it is difficult for a consumer to know what the product is really like.

Informative labeling - as if a label should do otherwise - is, fortunately, growing in such sectors like foods, drugs, textiles and other.

It should not be underestimated that many other channels exist for this direction of information flow. Praise and explanation by sellers in the shop, after sales service and printed instructions for use, can be mentioned. It is apparent that the diffusion of a product mainly goes through imitation in the immediate social surroundings, notwithstanding all the expensively elaborated other channels. It is therefore that Thorelli stresses the central function of the so called "information seekers", being the 10 to 20 per cent of the population, mainly from middle class and with more than average education, which pioneer, criticize and set trends. This category also constitutes the core of the consumers movement.

Because of the inadequacy of the advertisement channels and of the subjectivity of the imitation channel, the consumers movement try to add functional and objective information themselves or to influence others to do so: Which needs a product can satisfy, which the main functions and characteristics are, how it looks like, which brands and types can be bought on the market and where, what the prices are etc. Because of its methods, comparative testing is limited to goods and services, produced in large series in a standardized and identifiable form and which appear on the market during sufficient time to test them and to make judgements applicable for some duration. It is, however, obvious that experience in judging these types of standard utilities will irradiate to non-standard unique ones. A learning process will take place, which will make true that "informed consumers are protected consumers".

The other direction of information flow runs from consumers to producers and distributors. The main channel here is marketing. Market investigations by observation, interviews, comparison of competitive products etc. try to diminish the un-

certainty whether or not to design, produce and offer a new product on a specific segment of the market. Basically this is consumer research, be it from the viewpoint of the businessmen. Economically successful products are often also good products from the consumers viewpoint. Many products, however, are not well predicted, or are just a trial, and many are failures. Analyses of sales or of repair or complaints can yield important information too.

For some it may be a surprising discovery that the messages, sent by consumer organizations, belong to the very same family of information flow as marketing does. The publications of comparative tests and complaints, the demands put forward by these organizations, by direct contact with commerce and industry or by lawsuits, all form indications that the entrepreneurial considerations could be changed. It goes beyond doubt that this information is indeed being used, both to the advantage of commerce and industry and of consumers. There are examples that publications by consumer organizations almost eliminated a specific market. More numerous are the examples that so called "best buys" won and that designs of new products were adjusted. This feed-back, however, is rather concealed, which is reasonable and acceptable, if only because consumers organizations do not allow advertisements of the kind: "designed according to standards of the Consumers Union". The role of the critical, organized consumer and that of the innovating entrepreneur should be clearly separated.

3. The third type of principle solution, followed by consumers organizations is that of consumer education. If the objective is not only to unite and support wise consumers, but also to increase their number, it is logical that the diffusion of information should reach the whole population.

As told before, we can assume that regular readers of consumer magazines undergo a learning process to "consumption wisdom". Subscription to this kind of magazine, reading and implementing it is, however, not probable behaviour of all groups in the population. For the less educated other media should be used in addition. This is also necessary, because in some respects the less educated consumer is the most in need of being protected and informed. All investigations, analyzing membership of consumers unions, indicate that the highest penetration is to be found in the socio-economic middle and upper class, although the so called lower class is nowhere completely absent. It is therefore a natural consequence that in many countries the consumers movements are beginning to try to make consumer education part of regular teaching programmes on schools. Knowing what and how to buy and how to use it in adult life could be very valuable for the younger generation. In the U. S. A. this course has been followed in many schools in a satisfying way. In Germany and in the Scandinavian countries we can see promising experiments; in Western Europe it is yet nowhere part of the normal curriculum. It should be admitted that one of the problems proves to be the lack of adequately developed lessons and of a good system to coach teachers.

Each of these three types of solutions cover a broad area of possible activities. It should be emphasized that consumers organizations cannot be, and actually are not, the only ones to work in this way and direction. Consumer organizations tend not to monopolize; as a good social movement they even try to become superfluous. They realize fully that they depend on cooperation, of course of members, but also of commerce, industry and government. This also implies that it sometimes can be a good alternative if some of their tasks are taken over by government or even by commerce and industry. In Sweden, for instance, much of their tasks went from a kind of private organizations to government. It will naturally depend on the economic and political situation, whether this should happen or not. If a consumers union can be carried by a large fraction of the population, this can be regarded as being a graceful democratic entity.

It is anyhow obvious that succes of a consumers movement is considerably determined

by the degree of its political recognition. Because of its broad social objective consumers unions tend in general to have a middle or neutral position with regard to party politics, trying not to be connected systematically with one side of the political spectrum joining, but only in specific issues, those who favour them. This wise policy has gained them in most countries a general, but sometimes only weak, support. It is more important for the movement to receive governmental support, financial or institutional. For example, Sweden has since 1971 a Consumers Ombudsman, who investigates and negotiates independently on how the rather liberal legislation of commercial practice is being observed. In Great Britain a Fair Trading Act came into being in 1973 and with it a Director General of Fair Trading with similar authority; in this country consumers even have their own Ministry. In France, for instance, is a special Secretary of State for Consumer Affairs. On the other side of the Northatlantic we have a Canadian Consumer Department.

As has been said before, the consumers movement is internationalizing. Therefore international recognition is important too. The EEC accepted in 1975 a resolution, implying the intention to develop a policy for the protection of health, safety and economic interests of the consumer. A programme has been assessed of which the basic consumer rights are part.

Since 1973 the EEC possesses a separate Advisory Consumer Committee. A few months ago, in August 1977, the Economic and Social Council of the United Nations decided that also in developing countries measures should be taken for the protection of consumers; the Secretary General was instructed to investigate the necessity of co-operation and support accordingly. Today the BEUC, the European Consumers Organization publishes a new programme and offers this to the European Parliament in view of the approaching European elections.

This conference is dealing with consumers interests and manufacturing considerations. It is evident that the fact, that the European consumers indeed became organized and recognized this last quarter of a century, means a fortunate evolution for our economic system, for government and for commerce and industry. It contributes to a balance, it offers guidelines for legislation and standards, it yields feed back and adjusted considerations for business. It is also evident that this should grow in number and expertise and that consumers organizations ought to be loyally accepted as being the fourth party in the economic system, next to Labour Unions, Employers Organization and Government. Without these consumers organizations the governments would have to spend much more effort and money in getting to know what consumers want and need, not in the least concerning the growing quantity of collective services and goods that they offer. Also marketing for commerce and industry would have to be much more extensive and expensive. If the second title of this conference is "a dialogue between industry, government and society" the interpretation cannot be otherwise than that this also refers to a dialogue between industry, government and consumers organizations.

The political and economic mosaic in Western Europe has produced a pluriformity of organizations, that protect, inform and educate the consumers. It is probable that in the remaining years of the century this pluriformity will slowly diminish. Contrary to expectations of some, the decrease of the affluence in our society and our coping with problems of energy, materials, environment and employment will only add to the growth of the consumers movement in quality and quantity. After having now gained some momentum, it can play its appropriate role and can contribute to finding and implementing solutions. More can be told about the future of the Western European consumers organizations than this general expectations. I expect that the following eight issues, or questions, will be predominant in the next few decades:

1. Should the consumers organizations emphasize standardization and legislation, or information on goods and services, or more especially education? Working in all of these three areas will be necessary, but some choice is inevitable. Giving information on utilities was the cradle of the movement. Will the preventive approach of

younger generations by education be more efficient in the long run? It seems anyhow that another preventive approach is very feasible too, namely stressing the standardization of products and procedures. Cooperation with standardization on European level has hardly begun, but can be very fruitful; on national level many consumers organizations have already some experience.

2. Which division of tasks and responsibilities is appropriate between consumers organizations, government, and commerce and industry? Is it possible and reasonable that the organized consumer will carry the growing burden of investigations of increasing complexity, of informing ever larger groups, of participating in the preparation of laws and standards?  
Or should the example be followed of some Western European countries, where government fully subsidizes, or even incorporates, some or most of these consumer activities? To which extent can a social marketing, or having a consumers manager or a complaints handling department, be part of the common strategy of business?
3. Local consumer groups can have several advantages compared with one national, central bureau and union. They may have a more direct contact with consumers and they can handle specific local problems. In the U. K., for instance, local consumer groups have been quite successful. It seems, however, that a vast network of these decentralized organizations is not a complete substitute for a centralized one. A central bureau is necessary for complex testing, for legislation etc. Some balance between these two solutions will be found, determined by local enthusiasm, by the financial means and by the availability of communication systems, enabling to serve local purposes out of a national centre.
4. The Western European cooperation and coordination of the many national consumers organizations is slowly improving. An informal European Testing Group came into being and the number of international projects to test products, for instance cars, is increasing. It can be expected that this development will follow, or sometimes precede, the political and economic process of European unification.
5. It will be a question of growing importance how far the consumers movement will go in dealing with effects of mass consumption on national problems of environmental pollution or energy and materials saving. The question is not whether consumers organizations consider these aspects as important criteria for their activities, because they have more or less always taken these into account and a growing concern can be read in their publications. The question, however, is how far to go beyond objective causal relations, when investigating products and utilities; also the doubts where to leave the field to other, more specialized organizations. These problems will undoubtedly remain to have high priorities in the movement, because the responsibilities in this respect of individual consumers are obvious. The same applies to their interests; in the Netherlands, for instance, publications on traffic noise are regularly published in the *Consumenten Gids*; pollution of beaches in France etc.
6. The rapid development of communications technology offers new opportunities for consumers organizations too. The traditional magazine will be further complemented by more TV-programmes, by more regional information through cable TV and even individual information by systems such as Teletext. These new media, or improved use of old ones, have at least two additional advantages: they reach more people, and among them the less educated, which are not eager to read consumer magazines, but are definitely in want of improving their position as a consumer; furthermore they can transmit more dynamic information on the use of products, on example-like experiences of other consumers etc., and they are very suitable for educational and attitude forming programmes. In a later future two-way communication can come between consumers and a bureau in order to handle complaints or to consult on buys and use individually.

7. The activities of consumers organizations will become more professionalized. Universities and research organizations have begun to pay attention to relevant fundamental problems of technological, judicial, economic or social-psychologic nature. A growing body of knowledge and methods is being applied and an increasing number of academic specialists are entering the field. The scientific research comprises both fundamental and more applied projects. In Belgium in 1976 an independent Research Institute was founded for this purpose. In the U. K. , for example, is the Institute for Consumer Ergonomics at Loughborough and in Holland we expect that in short time a new Foundation for scientific consumer research will appear.
8. The last issue to be mentioned concerns the question whether consumers organizations should be more active in prescribing demands for new products; in other words: will try to contribute to design an innovation. Although it is evident that this would require new expertise and that the role of a manufacturing entrepreneur should be avoided by them (such a 'consumer design' cannot be guaranteed to be an economic success, can it?), it is clear that this is the next logical step after critical analysis and evaluation of existing products. Some developments in this direction are not completely impossible in the years to come.

As a last statement it is justified to say that the role of the consumers organizations in Western Europe is not a negligible one in our socio-economic development. After a hesitating and diversified start 25 years ago, the picture emerges of an important and mature movement, with a promising future. Apparently consumers organizations are capable and willing to share more responsibilities and are ready for new dialogues with government, commerce and industry.



## The Role of the European Communities with regard to Product Liability

Dr. H. C. Ficker \* \*\*

Directorate-general of the Internal Market and Industrial Affairs of the Commission of the European Communities  
Brussels  
Belgium

Differences between the laws of the EEC countries, in sectors which have a direct effect on the Common Market, hinder its development. Therefore the Treaty, establishing the European Economic Community, lays down in sub-paragraph h of article 3, that "the activities of the Community" shall include in addition to the traditional direct means of establishing such a Market mentioned previously in this article, i. e. the elimination of customs duties and the establishment of a common customs tariff in respect of third countries, "the approximation of laws of Member States to the extent required for the proper functioning of the Common Market". And article 100, a general provision introducing the chapter 'Approximation of Legislation' lays down that "the Council shall acting unanimously on a proposal from the Commission, issue directives for the approximation of such provisions laid down by law, regulation or administrative action in Member States, as directly affect the establishment or functioning of the Common Market".

A directive, a Community legal instrument instituted under the Treaty, is a legal order to member states. It does not therefore apply directly to Community citizens in the same way as a regulation. It is binding as to the result to be achieved. The choice of means - law, implementing order or decree - to implement what has been agreed in common is left to the Member States. Therefore it may be said that the directive is a type of framework law, the details of which are left to Member States. As regards in particular a directive implementing an approximation of laws, it is not normally intended to introduce comprehensive and conclusive rules. Member States are obliged to amend their laws where they are not in accordance with the directive. Where the directive contains no rules, national law continues to apply.

What is the present legal situation as far as product liability is concerned within the nine EC member states? In France, Belgium and Luxemburg the courts have developed on the basis of the provisions laid down in the 'Code Civil' concerning the law of sales, a degree of liability which you may call strict liability. When the 'Code Civil' holds liable the vendor, who is in bad faith, because he knew the defect in his product, the courts however presume that bad faith every time the vendor is a professional vendor and this includes the dealer and the producer as well, and do not allow him to rebut this presumption, then this liability has become a strict liability.

The law in The Netherlands has also moved in practice towards a reversal of the burden of proof. A draft of a new article 6. 3. 13 proposes legal rules governing product liability through a reversal of the burden of proof.

Italian law, on the contrary, is still based on the classic principle of fault, with the traditional distribution of the burden of proof. There are no signs of a change in the direction of consumer protection in this connection.

As far as the United Kingdom is concerned I have to mention the warranty given by the vendor in favour of the buyer - a liability without fault - part which is protecting only the contractual partner, and an action based on tort, on 'negligence', a liability for fault. Courts try to help the victim often by applying the rule 'Res ipsa loquitur' 'the circumstances speak for themselves'. The Law Commission and the Scottish Law Com-

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mission have recently submitted a report on product liability, suggesting legal reforms. The law of Ireland is the same as that of the United Kingdom. A Law Reform Commission has put product liability on the agenda.

In Denmark the courts assume a great degree of freedom with regard to both the distribution of the burden of proof and the presumption of fault on the part of the producer. In German law finally there has been a remarkable change in the last few years. The application of the traditional fault principle in product liability with the burden of proof on the injured plaintiff became the subject of increasing criticism. Not uninfluenced by this development the 'Bundesgerichtshof' relieved in the 'chicken pest' case of 1968 the plaintiff of the burden of proof. It is not for the injured party to prove a fault on the part of the producer, but for the latter to free himself from the presumption thus founded that the defect arose from a fault on his part. Since that time the Supreme Court of Germany has tightened the requirements for discharging such burden. Last year the 'Bundestag' adopted the Pharmaceutical Reform Act, which lays down that the producer of pharmaceutical products is liable irrespective of fault for all injurious effects of that product. However, it limits liability to 200 million DM for the total damage and to 500.000 DM in individual cases. The law entered into force on January 1st of this year.

As regards the effects of these differences in product liability laws described above, the following observation must be made. Laws relating to liability differing in severity affecting a person who has produced a defective product, lead to differences in costs for producers in the individual Member States of the European Community. They are therefore subject to unequal conditions of competition, a situation which is incompatible with the principles of the Common Market. Liability laws of different severity can disrupt the free movement of goods between the Member States. Finally, liability rules of differing severity lead to differing degrees of consumer protection, which is inadequate in some Member States, and lacking completely in others. It was decided at the 1972 Paris Summit Meeting of Heads of State and Governments of the Member States that adequate and uniform consumer protection should be established. In implementing this decision, the Council of Ministers adopted in April 1975 the Preliminary Programme for a consumer protection and information policy, mentioned already by Mr. Lubbers, in which it is expressly stated that one aim of Community consumer policy is to protect the health, safety and economic interests of the consumer through an approximation of the laws on product liability.

In Juli 1976 the Commission of the European Communities unanimously adopted a proposal for a directive and submitted it to the Council of Ministers. (The text is given at the end of this paper.) In the Commission's view this proposal represents a possible compromise between the conflicting interests involved and offers an acceptable solution to the problems raised in the field of product liability. At the moment this proposal is discussed in the European Parliament and in the Economic and Social Committee. The opinion of both Community institutions in particular that of Parliament, which is to acquire increased powers, give a democratic foundation to these attempts of approximation, since before the Council decides whether to adopt the directive the Commission will, as it has always done, probably adapt the draft to Parliament's wishes. The Council will then commence its work.

In the draft the Commission proposes the following system. Article 1 lays down the principle of liability irrespective of fault, as is clear from the final clause of the first paragraph. In doing so the Commission made clear that a private law solution should be sought and that a general collectivisation of damage will not be considered. This means that the solution should be found within the traditional liberal system of law and not try by taking product liability out of the law system and solving the problems by incorporating these in the social security system. This is a political decision obviously. I am however of the opinion that we should find a solution under private law in all Member States and that we are fully capable to do so, even though this or that legal consequence may appear harsh. To collectivise the damage caused by defective products would provide an excellent argument for also collectivising the pleasant aspects of production,

namely profits, subjecting the producer to strict supervision and perhaps even including him, if he is a large undertaking, in the collectivisation process.

But why a liability irrespective of fault? Can a balance of interests involved not be found on the basis of the traditional fault principle? To be able to answer this question we must first recall the four groups of cases which it has become customary to establish. First we can distinguish design defects, that means the whole production line is defective. Second: defects in instruction: the instructions are insufficient and make therefore the product dangerous in the hand of an inadvertent user. Third: manufacturing defects, defects of individual pieces in a series which is otherwise free from defects, the so-called 'escapers'. And finally there are defects which although existing, could not have been recognized as such, given the state of scientific and technological knowledge at the time when they were put into circulation. This is certainly the most problematical type of defect.

The problem of design defect and defects in instructions could perhaps be solved on the basis of the fault principle, albeit with the aid of reversal of the burden of proof, if stringent requirements are placed on the producer to take all reasonable care. An engineer who produces a faulty design for a product or a person who gives insufficient operation instructions which do not make adequate reference to dangerous properties of the product put into circulation, could be subject to a claim for breach of his obligation to take reasonable care. The crash of the Turkey's Airlines' DC 10 in Paris in March 1974 was, if I am correctly informed, caused by the fact that the rear baggage compartment door could not be closed properly, certainly a design defect. The door which was obviously not properly closed, opened after take-off. The pressure equalisation bent the guide sleeves containing the rods operating the elevator and rudder, and the now uncontrollable aircraft crashed and 374 people were killed.

In the case of manufacturing defects, and in the last group of cases, which we may call development risks, there is however no personal connection between the producer and the defect causing the damage, which could be used as a basis for assessment, i. e. as a basis for claiming fault on the part of the producer because there is no fault. Where a piece of steel is used whose technically unavoidable material weakness can not be discovered at all or can be discovered only by extremely high costs or where a pharmaceutical product is put on in the market whose therapeutic effects and apparently acceptable side-effects are believed to be fully known, because all necessary tests have been made, one can no longer say that the producer failed to take precautions which could have revealed the defectiveness of the product and prevented the consequences. Nor does the remedy of the reversal of the burden of proof alone help, since it is easy to prove that no fault was involved.

This leads to the question of who should bear the consequences of such unavoidable defects of modern mass production. The individual to whom the effect of the defective product is like an unfortunate stroke of fate, in legal terms an act of God? If the principle of fault is adopted as a basis, one can come to no other conclusion. However, I believe that this result is much more than just "unsatisfactory from a human point of view". I consider it unjust, for when the advantages of modern mass production and technological and scientific progress benefit everybody, why should the unavoidable disadvantages be borne by the individual alone? When fireworks explode on the ground, television sets burn out, cable cars crash and car brakes fail, it is the price which unfortunately has to be paid, for carnival fun, television entertainment every night, pleasant holidays and houses in the suburbs - normally an increasingly small price. If, however, the individual is not to bear the damage, but it is also intended not to place the burden on the general public but to seek a way out with private law means, then the only solution is to spread this damage over all consumers of that range of products. When in a series of 10,000 bicycles only one had a defect which could not be discovered, it is in my view fair that the other 9,999 purchasers of bicycles which are free from defects, should together bear the damage suffered by the unfortunate individual.

How is it possible to catch this identifiable group of consumers which from an economic point of view is ultimately to bear the costs of a damage? The means available is to pass the costs of damage of the individual provisionally on to the producer. I deliberate-

ly describe this passing on of damage as provisional, since the producer who has to pay damages and also a manufacturer who takes the precaution of insuring himself and pays premiums for this purpose will include the payments in the general production costs, and by incorporating them in the prices will normally be able to spread them uniformly over the group of consumers mentioned.

The legal means to achieve this solution is necessarily to introduce a liability of the producer irrespective of fault, because this is the only way of initially passing on the damage to him. It is true that this consequence at first appears alarming. I would however consider it as regrettable if the purely technical nature of such a solution were to be affected by emotional arguments.

The same considerations must apply in all cases of development risks, since here too the consumer should not have to bear the risk of products which have not been perfected and here too I can see no other way of apportioning the damage equally if it is not to be left on the shoulders of the injured person as an act of God. One should certainly not overlook the fact that the dispersal effect of a defect that is recognized too late, can affect a great number of consumers. I am however of the opinion that this should not be used as an excuse for a general collectivisation of damage.

Disasters with thousands of victims will always require help from the state. The typical product liability case involves a firework exploding on the ground, not the Thalidomide disaster. But it is just the typical case that should be used as a basis for a general solution to the problem of product liability. Therefore the second paragraph of Article 1 makes it clear that the producer is also liable in respect of development risks.

The facts establishing liability it, i. e. the damage, the defect and the causal connection between the two, have to be proved by the plaintiff. This rule should protect industry. It has been vigorously attacked by the consumers' associations, because in many cases it is very difficult to establish a causal link between the damage and the defect.

Article 2 defines the term 'producer'. This definition is very broad. Not only the producer of the finished product, but also the suppliers should be liable. The same applies in respect of raw materials. Liability applies in respect of all products irrespective of whether they are industrial, handicraft or agricultural. In principle the dealer is not liable, unless he represents himself as a producer or does not reveal the origin of the product sold anonymously (first and second paragraph of article 2).

A person who imports into the Community goods from a non-member country shall be liable (third paragraph of article 2). This is a consequence of the need for consumer protection. Pursuing legal action outside the Community - goods coming from Taiwan for example - is almost impossible. Such liability is moreover reasonable, since the importer can always have his supplier in a non-member country free him from liability. He has the power to do so when concluding his contract. Such a liability of the importer is not permissible in trade within the Community, nor it is necessary. It is not necessary, since the bringing of proceedings within the Community is adequately guaranteed through the Community Convention on the Jurisdiction and the Enforcement of Judgement which is in force between the six original Member States and will be soon in force between all the Nine.

Article 4 defines what is meant by defectiveness. In any national law relating to sale of goods we have developed a definition of defectiveness which is based on whether the article purchased can be used for the agreed purpose. We speak of merchantability. This definition forms a basis for the balance of interests which is intended to achieve through the rules of law relating to the sales of goods. In the case of product liability however, the important thing is not whether the user can use the article in the way he anticipates, but whether it is made in such a way that in use it damages neither his health, nor his property. In other words, it is not the merchantability, but the safety of the article which is a decisive factor. Anyone attempting to light a firework will rightly have recourse to the vendor of the touch paper will not burn. He demands of the producer, however again rightly, an insurance that if he carefully observes the safety instructions, the setting off of the firework will damage neither his health, nor his property. The difficulty lies in the question of what degree of safety the consumer is entitled to

expect. This will depend firstly on the nature of the product and secondly on the consumer himself, i. e. on the particular circumstances of the individual case. For this reason the degree of safety which may reasonably be expected can not be laid down by legislation. This must be left to the courts. This is moreover in keeping with the legal trends in all industrial nations. Normally courts pay little attention to the definition of defectiveness as a criterion for establishing liability. Where damage has arisen then, viewed after the event, the article was defective for this very reason, whereas the contrary approach of acknowledgement of the defect before the event is certainly logically the more appropriate.

Connected with this is the problem of how the further development of safety standards should be faced. This question has nothing to do with 'development risks'. In such cases the defect exists objectively, but no one is able to discover it. When the defect is generally recognized we all agree that the defective article should no longer be sold. The further development of safety standards and the fact that the producer has put an improved product on the market, involves the question of whether an article which conforms to all the technical requirements when it was put into circulation, becomes defective merely because those requirements are tightened up. The answer to this question is that it depends on the circumstances of the individual case. Normally there will be no liability, because the consumer, the user, is not entitled to expect the same degree of safety from older products as from those that are new.

Article 6 defines the damage. As regards possible types of damage a distinction can be made between personal injuries as an impairment of bodily integrity, and damage to property. With regard to injuries, the identity of the person injured by the defective article, the capacity in which the injured person was using the article, or the occasion on which the injury occurred is of little consequence. Anyone who suffers an injury whether the user or the innocent bystander, when a firework is correctly lit, any worker in a factory who was injured when a machine explodes, any businessman who suffers personal injury in some way from goods he acquired for resale, should be protected. In the case of personal injury we all are 'consumers'.

In the case of damage to property the conflicting interests should be weighed up differently. A distinction can be made in this connection between damage suffered by a person for whose private use the defective article was intended and damage arising in relationship between producers, persons carrying on a business, and dealers. Adequate 'compensation' in the first mentioned case, that of the consumer, is favoured by the general social considerations of consumer protection which in themselves point to the fact that limitless damage is scarcely to be feared.

The position is different in the commercial sector. If a bolt snaps in the jib of a crane, which then breaks as a result, the crane which is an essential piece of equipment in, for example, an aircraft factory is damaged. There may however be suspended from the crane jib an aircraft engine which, in falling, badly damages the wing of the aircraft under construction. Delivery of the finished aircraft is delayed for weeks, profit is lost and there is a threat of a contractual penalty. We now find ourselves in the midst of the interests of the law of contracts and its balanced rules on hinderance to performers.

Article 6 defines the damage as personal injury and damage to property, but restricts the latter to damage to property which was objectively and subjectively for private use. Damage in the commercial sector, i. e. damage to the crane, to the engine, to the new aircraft in the example just mentioned, does not come within the scope of the proposed directive. The payment of compensation for pain and suffering and for non-material damage is governed by national law.

Liability irrespective of fault and the inclusion of development risks, are in my opinion acceptable only if the liability imposed on the producer is restricted in two ways: in amount and in time. The amount of liability must be restricted in order to avoid the danger of losing all proportion. If liability is limited, any claim against the producer becomes calculable and then becomes insurable, since definite limits are drawn to the individual agreement between producer and insurer. In limiting the amount of damage that has to be paid, a distinction can be made between a global limit, which covers all damages caused by the same defect in identical products, and a limit to the obligation

of indemnification in individual cases.

I consider it necessary to limit the duration of liability, first to keep development risk within reasonable limits, second to take account of the fact that the safety of technical products constantly increases in the course of time.

The decisive factors in both limitations are of course the amount of liability and the period of time for which it applies. The mechanism is clear. The greater the maximum amount and the longer the period of liability, the greater is the protection of the consumer; the smaller the maximum amount and the shorter the period the lesser is the liability of the producer. It is a political decision as to where the limits are set. It is obvious that the consumers ask for an unlimited liability, unlimited as to amount, and unlimited as to time, whereas industry asks for limitation with a low global limit and a short time.

The draft directive proposes a limitation of liability. To leave this question to the Member States would mean renouncing an approximation of laws on a very important point.

Article 7 proposes maximum limits to liability. The proposal merely lays down an overall limit of 25 million European Units of Account - this is approximately 70 million guilders - in the case of personal injury, with no limits in individual cases. In effect this means unlimited liability in individual cases and this is a decisive factor from the point of view of protection of the consumer. Moreover, with the amount of compensation normally awarded in the nine Member States cases of smaller mass damages can be covered to large extent.

In the case of damage to property, however, there is only a restriction in individual cases and no global limitation. The figures in guilders are 40,000 guilders in the first case and 130,000 in the second.

The general defences available to the producers, such as contributory negligence or act of God, remain unaffected. The fact that the directive does not mention them should not be taken to mean that they are not available to the producer against whom a claim is lodged. Since these defences exist in the same way in the general law of all Member States, there is no reason to consider an approximation of laws on this point. Naturally a producer against whom a claim is lodged can therefore plead act of God or contributory negligence in accordance with the rules of his national law.

To avoid misunderstandings I should like to point out once again that the directive does not represent a cohesive system in itself, but is intended to modify national laws only where such modifications appear necessary. One could of course mention this in the directive, but to do so seems superfluous. But perhaps it would clarify the situation. However, contributory negligence would thereby become a term of Community law, which would then be subject to the interpretation of the European Court of Justice in Luxemburg. We restricted ourselves to the absolute necessary, since we do not wish to lay ourselves open to the accusation repeatedly made in certain quarters, that we in Brussels are taking the approximation of legislation too far.

Article 9 proposes that liability would be limited to a period of ten years. Fixing such a limit is certainly a political decision.

Article 10 lays down that liability is not subject to freedom of contract. Otherwise it be a complete failure.

In concluding my paper, please allow the lawyer to make some remarks about the economic aspects of the legal system the Commission is proposing. Since the very beginning we have been in close contact with the European Committee of Insurers who represent the European insurance industry, because it would be nonsense to propose a legal system which leads to the result that the person to be held liable cannot insure his risk. When we discussed the proposal of the directive in its final form with European insurers, I put the direct question to them, whether this legal system is insurable or not. The answer was 'yes', if you provide expressly for the defence of contributory negligence.

As far as the actual costs are concerned, the amount of premiums, it is obviously very

difficult to evaluate already today precisely the risk in every case. However, an estimation reveals an increase of the actual insurance charges of 0.7 per thousand to 0.9 per thousand of the turnover. Two cents of ten guilders. I think these charges are supportable.

Draft directive of the Commission of the European Communities

Article 1

The producer of an article shall be liable for damage caused by a defect in the article, whether or not he knew or could have known of the defect.

The producer shall be liable even if the article could not have been regarded as defective in the light of the scientific and technological development at the time when he put the article into circulation.

Article 2

'Producer' means the producer of the finished article, the producer of any material or component, and any person who, by putting his name, trademark, or other distinguishing feature on the article, represents himself as its producer.

Where the producer of the article cannot be identified, each supplier of the article shall be treated as its producer unless he informs the injured person, within a reasonable time, of the identity of the producer or of the person who supplied him with the article.

Any person who imports into the European Community an article for resale or similar purpose shall be treated as its producer.

Article 3

Where two or more persons are liable in respect of the same damage, they shall be liable jointly and severally.

Article 4

A product is defective when it does not provide for persons or property the safety which a person is entitled to expect.

Article 5

The producer shall not be liable if he proves that he did not put the article into circulation or that it was not defective when he put it into circulation.

Article 6

For the purpose of Article 1 'damage' means:

- a) death or personal injuries;
- b) damage or destruction of any item of property other than the defective article itself where the item of property
  - i) is of a type ordinarily acquired for private use or consumption; and
  - ii) was not acquired or used by the claimant for the purpose of his trade, business or profession.

Article 7

The total liability of the producer provided for in this directive for all personal injuries caused by identical articles having the same defect shall be limited to 25 million European units of account (EUA).

The liability of the producer provided for by this directive in respect of damage to property shall be limited per capita



- in the case of moveable property to 15 000 EUA, and
- in the case of immoveable property to 50 000 EUA.

The European unit of account (EUA) is as defined by Commission Decision 3289/75/ECSC of 18 December 1975.

The equivalent in national currency shall be determined by applying the conversion rate prevailing on the day preceding the date on which the amount of compensation is finally fixed.

The Council shall, on a proposal from the Commission, revise the amounts specified in EUA in this Article, having regard to economic and monetary movement in the Community.

#### Article 8

A limitation period of three years shall apply to proceedings for the recovery of damages as provided for in this directive. The limitation period shall begin to run on the day the injured person became aware, or should reasonably have become aware of the damage, the defect and the identity of the producer.

The laws of Member States regulating suspension or interruption of the period shall not be affected by this directive.

#### Article 9

The liability of a producer shall be extinguished upon the expiry of ten years from the end of the calendar year in which the defective article was put into circulation by the producer, unless the injured person has in the meantime instituted proceedings against the producer.

#### Article 10

Liability as provided for in this directive may not be excluded or limited.

#### Article 11

Claims in respect of injury or damage caused by defective articles based on grounds other than that provided for in this directive shall not be affected.

#### Article 12

This directive does not apply to injury or damage arising from nuclear accidents.

#### Article 13

Member States shall bring into force the provisions necessary to comply with this directive within eighteen months and shall forthwith inform the Commission thereof.

#### Article 14

Member States shall communicate to the Commission the text of the main provisions of internal law which they subsequently adopt in the field covered by this directive.

#### Article 15

This directive is addressed to the Member States.

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Office for Official Publications of the European Communities  
5, rue du Commerce  
P. O. Box 1003  
Luxemburg.

## Food Additives - Technological Need and the Consumer Interest

Dr. B. C. L. Weedon  
Vice-Chancellor, The University of Nottingham  
Nottingham  
U. K.

### Introduction

Members of the general public are often surprised to learn that small amounts of various chemicals may be added to food for reasons that are not directly related to the improvement of nutritional value. There is nothing new in this practice. Thousands of years ago the Chinese used ethylene and propylene, produced by the combustion of kerosene, to ripen bananas and peas. Pickling in salt, and fermentation processes resulting in the production of lactic acid, alcohol or acetic acid, are methods of food preservation that date from ancient times. Hams have been cured with brines containing nitrites and nitrates for several hundred years. The 'Forme of Cury', one of the earliest surviving cookery books in English, written about 1390 at the request of King Richard II, describes how to colour lard slices yellow, red, purple or black.

### Use of Food Additives Today

Despite advances in food technology, indeed to some extent because of them, food additives are still used at the present time. However, great care is now taken to ensure that they are used in such a way as to confer benefit on the consumer, and not, as has sometimes happened in the past, to deceive him as to the quality of the food.

The food industry today has to meet a number of demands which are significantly different from those of only a generation ago. The rapidly growing world population makes it more than ever important not to waste food supplies. In developed countries large and increasingly affluent populations expect a wide range of foods, including non-seasonal commodities, to be available at all time of the year, and at reasonable prices. The fact that many wives as well as husbands now go out to work, together with other socio-economic factors, has created a demand for prepared or semi-prepared food - the so-called 'convenience foods'. To meet these challenges, the food industry has undergone changes and developments which, though less spectacular and less publicised, are just as important for man's well-being as those which have occurred in other industries. Undoubtedly, many factors have contributed to this success, but many experts agree that the contribution of food additives has been, and will continue to be, essential.

Ham is still cured with nitrates (e.g.  $\text{NaNO}_3$ ) and nitrites (e.g.  $\text{NaNO}_2$ ), though some producers can now dispense with the former. These salts contribute to the characteristic flavour which we associate with ham. The nitrite gives the ham a pleasing pink colour, which has been attributed to the conversion of myoglobin and haemoglobin into nitroso-derivatives, but the main justification for the use of nitrites is that they prevent the development of *Clostridium botulinum*. If not checked, the growth of this micro-organism could result in the formation of toxins which are almost invariably fatal to the consumer.

Other preservatives are added to many foods to safeguard them from micro-biological spoilage during transportation and storage. Thus sulphur dioxide ( $\text{SO}_2$ ) is often added to wine, pickles, and fruit pulp for jam making. Benzoic acid ( $\text{C}_6\text{H}_5\text{CO}_2\text{H}$ ) is widely used, for example in soft drinks, and there is growing interest in sorbic acid (1) to

Fig. 1  $\text{CH}_3\text{.CH:CH:CH:CH.COOH}$

control moulds and yeasts in cheese and wine and other commodities. Anti-oxidants are widely used in oils and fats to prevent them from becoming rancid. Many people would rather eat a biscuit made with a shortening fat containing a small amount of butylated hydroxyanisole (2), or some other well tested anti-oxidant, than have to put up with a rancid flavour. However, there is no case for the indiscriminate use of preservatives and anti-oxidants. It is often better to use refrigeration and a cold chain for distribution and marketing. Moreover, the shelf life of many goods should not be extended if nutritional value is to be maintained.

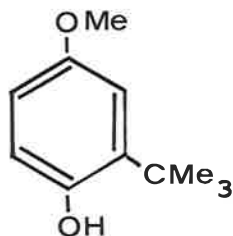


Fig. 2

Saccharin (3) has long been used as an artificial sweetener which does not add calories to the diet. It is also cheaper than sugar, and is used as a sweetener in a number of processed foods and in soft drinks.

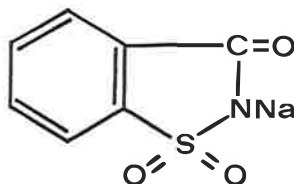


Fig. 3

Appearance and taste play a large part in determining the acceptability of a food by the public. A nutritionally inert cellulose ether may therefore be added as an emulsifier to a bottled mayonnaise to prevent the constituents separating into layers on standing. Other emulsifiers are employed in the preparation of many ice-creams and convenience foods. Artificial colouring may be used, for example, to ensure that tinned peas look green and not a greyish brown colour; Food Green S (4) is one colour which was

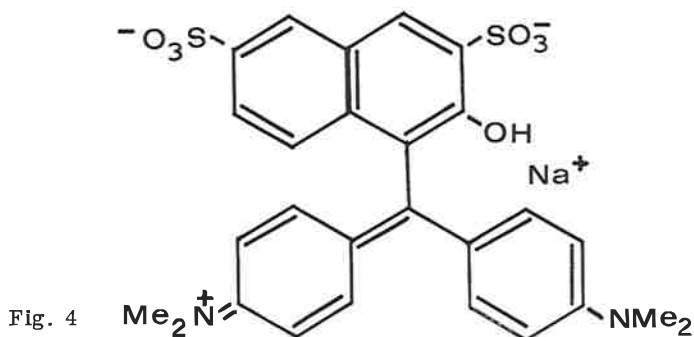
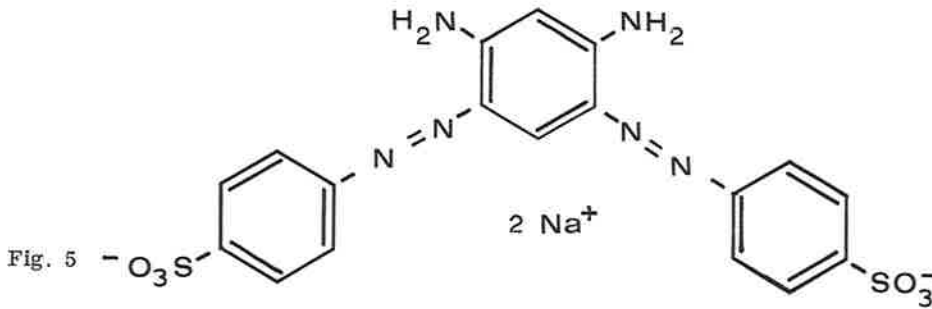
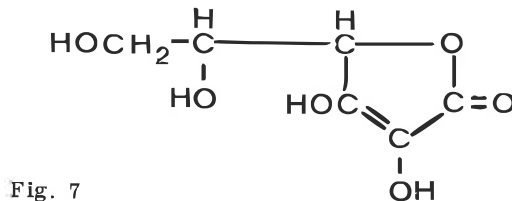
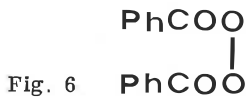


Fig. 4

developed for this purpose. Other colours may be added to restore to jam some of the colour lost as a result of sulphiting and bleaching the pulp, and to make sugar confectionery look the colour appropriate to its flavour, etc. Brown FK (a mixture containing (5)) may be used to give a kipper the colour that the consumer has come to expect.

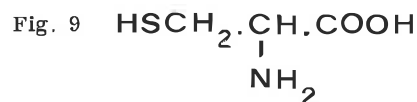


Although many people like wholemeal bread, the majority of consumers seem to prefer a white loaf. Today much of the flour produced in the UK is treated with chlorine dioxide ( $\text{ClO}_2$ ) as a maturing and bleaching agent. Additional whiteness is achieved, if necessary, by bleaching with, for example, benzoyl peroxide (6). To improve the texture of the final product, much of the flour is also treated with improving agents - the commonest are based on ascorbic acid (7) with either potassium bromate ( $\text{KBrO}_3$ ) or potassium persulphate ( $\text{K}_2\text{S}_2\text{O}_8$ ). Similar practices are followed in many other countries.



### Changing Technology

In the food industry, as elsewhere, technology is making rapid advances. I can perhaps illustrate the important part that food additives have to play in this development by reference to important sectors of the food and drink industry. In a number of countries, traditional methods of bread-making have to a large extent been replaced by mechanical dough development processes, such as the Chorleywood Bread Process in the UK. The use of high speed machinery in such processes creates a demand for liquid hydrocarbons to lubricate the dough dividers and the dough chutes. Recently increased interest has been shown in new improvers, e.g. azodicarbonamide (8), and some bakers have indicated that they would like to adopt entirely new processes of chemically assisted dough development, for example, that involving L-cysteine (9), which would obviate the need for expensive mechanical equipment and provide a very rapid method of producing batches of bread to meet a sudden demand.



Another area where there have been marked changes is brewing. Traditionally, beer has been produced locally for consumption within a few days. Today brewing is largely centralised in many countries and beer must withstand transportation and storage. Although pasteurization is commonly used, it is not entirely suitable for large batches and can lead to off-flavours. The use of preservatives is, therefore, advocated in some quarters and is allowed in some countries.

Although the benefits of additives may not always be immediately apparent to, or understood by, the general public, most experts, as I have already indicated, accept that some additives are technologically necessary in a modern food industry, and may well be the key to some important future developments.

#### Public Concern

The general public is, however, becoming increasingly concerned about man's environment, and the effects on it (and hence on us) of our rapidly developing technology. The tragedy with the drug Thalidomide (10), the results of which are still with us after fifteen years, alerted everyone to the possible dangers that could be associated with the fairly common use of a comparatively simple chemical. Although in an entirely different category as regards seriousness, a number of other episodes have also served to direct public attention towards potential environmental hazards. Thus, after the insecticide DDT (11) has been used with great effect for many years, and we seemed on the verge of wiping out malaria, many countries decided to introduce severe restrictions on its use.

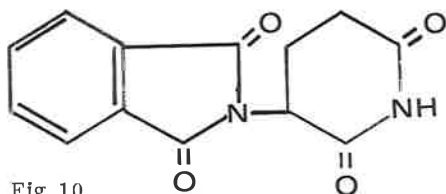


Fig. 10

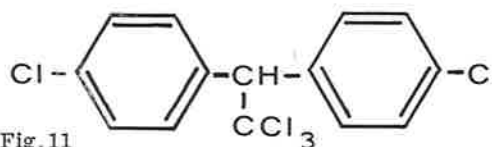


Fig. 11

Nor did food additives escape critical attention. In 1969, following reports from America that rats fed with Cyclamate (12) had developed bladder cancers, permission to use this artificial sweetener was withdrawn in many countries. Following the study of new data, some countries, including the UK, stopped using brominated vegetable oils as clouding agents in soft drinks, permission to use the colour Orange RN (13) was withdrawn, and in one country at least limits were imposed on the use of certain caramels. Although all this was done without the exaggerated publicity given to the Cyclamate affair, some people with long memories recalled reports that certain members of the general public exhibited exceptional sensitivity (Kwok's Quease, or the Chinese Restaurant Syndrome) to mono-sodium glutamate (14), a widely used flavour enhancer.

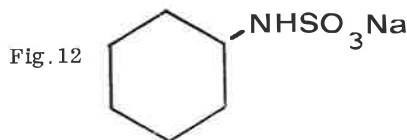


Fig. 12

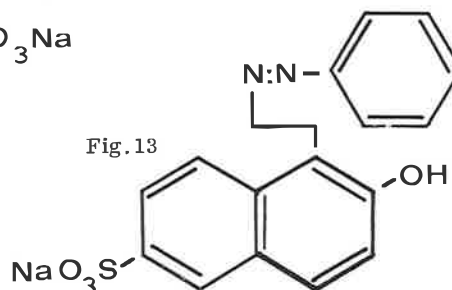
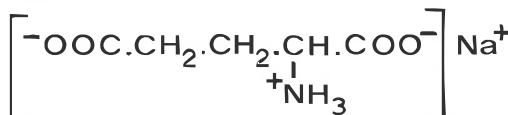
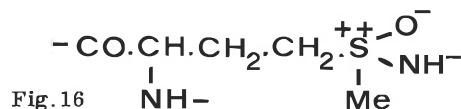
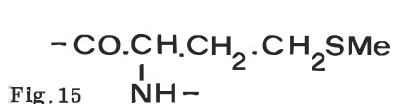


Fig. 13

Fig. 14



Others recalled the excitement in the 1940's when it was discovered that the Agene Process for treating flour with nitrogen trichloride (NCl<sub>3</sub>) converted methionine residues (15) in the gluten of the flour into a toxic derivative (16). When the use of these and other food additives was dropped or restricted, it was not because of any evidence of harm to human consumers, but rather as a precaution after adverse effects had been reported in animals fed exceptionally high doses of the additive in question, or of the by-product to which it gave rise. It is interesting to speculate what would happen if the natural components of natural foods were tested under similar extreme conditions, but this has seldom been done.



In the last few years concern has been expressed about the long established custom of using nitrites in the manufacture of bacon. As I have pointed out already in connection with ham, the nitrites fulfil a very important function in prevent the development of Clostridium botulinum. However it seems that, under certain conditions, the presence of nitrites in the product can lead to the formation of traces of nitrosamines (R<sub>2</sub>N.NO), many of which have been tested at higher dose levels and shown to be toxic. Whether or not such traces of nitrosamines (a few parts in one thousand million) are of any significance from the point of view of the health of the consumer has still to be established. The possible risk, however, must be set against the real benefit of protection against botulism. In the last few months there has also been a good deal of controversy over the significance of epidemiological studies in Canada which are claimed by some to have pointed to a correlation between the use of artificial sweeteners, including Saccharine, and bladder cancer in males.

When the press, and the media generally, highlight a report of the type which I have mentioned, it is scarcely surprising that members of the general public express concern over the use of food additives. In these circumstances it is the duty of those connected with the food industry to explain to the public the measures which are adopted both nationally and internationally to control the use of food additives, and to protect the consumer.

#### General Principles on Use of Food Additives

The joint FAO/WHO Codex Alimentarius Commission has laid down general principles for the use of food additives. It is worth quoting their guidelines since I believe that these command wide support:

"The use of food additives is justified only when they serve one or more of the purposes set out from (a) to (d) and only where these purposes cannot be achieved by other means which are economically and technologically practicable, and do not present a hazard to the health of the consumer;

- (a) To preserve the nutritional quality of the foods; an intentional reduction in the nutritional quality of the food would be justified in the circumstances dealt with in (b), and also in other circumstances where the food does not constitute a significant item in a normal diet;
- (b) To provide necessary ingredients or constituents for food manufactured for groups of consumers having special dietary needs;
- (c) To enhance the keeping quality or stability of the food, and to improve its organoleptic properties, provided that this does not so change the nature, substance or quality of the food so as to deceive the consumer;

- (d) To provide aid in the manufacture, processing, preparation, treatment, packing, transport or storage of food, provided that the additive is not used to disguise the effects of the use of faulty raw materials or undesirable (including unhygienic) practices or techniques during the course of any of these activities. "

#### International Evaluation

Even when a food additive meets one or more of the criteria (a) to (d) then, as indicated in the first part of the quote given above, it is necessary to assess its safety-in-use. Guidance on this fundamentally important point is often given by the Joint FAO/WHO Expert Committee on Food Additives. This body, which comprises recognised international experts in various scientific and medical fields, normally meets once a year to evaluate the latest information on food additives. If the evidence warrants it, the additive is allotted an acceptable daily intake, or ADI, expressed as milligrams of additive per kilogram of body weight. Inevitably the evaluation depends largely on the results of a comprehensive series of laboratory tests with animals. When possible these are carried out on animals in which the metabolism of the additive resembles that in man. Nevertheless, extrapolation to man from toxicity tests in animals has obvious limitations, and therefore a substantial safety factor, normally 100, is built in to the ADI. It should be remembered that an ADI represents an estimate of the average daily intake of a substance, which taken throughout the human lifespan, would not result in any obvious harm to health. Bearing in mind the safety factor built into the evaluation of the ADI, this means that there is no cause for alarm if an individual occasionally exceeds the prescribed ADI. Sometimes the ADI is expressed as "no upper limit specified". This means that the total daily intake of the substance, arising from its use or uses at the levels necessary to achieve the desired effect, and from the acceptable background in food, does not represent a hazard to health. For this reason the establishment of a numerical limit for the ADI is not considered to be necessary.

#### Scientific Committee for Food

In 1974 the European Economic Community established its own Scientific Committee for Food. The Committee gives advice, which is published, on the food additives and contaminants referred to it by the Commission. This assists the Commission in drafting EEC Directives designed to harmonise food provisions throughout the Community.

The Scientific Committee for Food also works by attempting to establish an ADI. The values are not necessarily identical with those set by the Joint Expert Committee or other bodies since new data may have to be taken into consideration. Though the Scientific Committee for Food would take note of any findings of other bodies, it would not necessarily endorse them but come to its own conclusions. Sometimes the Committee sets a temporary ADI, and a date by which further information must be provided. This was done, for example, both with Food Green S and Brown FK.

The procedure for preparing a Community Directive runs through several stages. It begins with the Commission preparing a draft proposal, and in doing this the Commission normally consults interested organizations, such as the appropriate European trade organization, and appropriate experts from the Member States. Later the Commission usually submits its proposals for a Directive to the Advisory Committee for Food on which are to be found representatives of the Community (as distinct from national) organizations of farmers, manufacturers, workers, distributors and consumers. After the proposed Directive has been sent to the Council it is usually submitted to the European Parliament and the Economic and Social Committee for an opinion. The opinions of these institutions (which are also published) may lead the Commission to amend its original proposals. At the Council the Commission's proposals are considered by an appropriate sub-group of the Working Party on Foodstuffs, which consists of delegates from the Member States and Representatives of the Commission. When it has been agreed in the Working Party, the draft Directive is sent to



the Committee of Permanent Representatives (consisting of senior officials of Member States) before going to the Council of Ministers for adoption. Assuming that this lengthy process is satisfactorily completed, the resulting Directive provides a flexible legal instrument which lays down the ultimate objectives, but which leaves Member States to decide how these objectives are to be achieved in their own country. At present there are four Directives dealing with food additives: antioxidants, colours, emulsifiers and stabilisers, and preservatives.

#### Role of National Bodies

Despite all this international activity, national bodies have a major role to play. They have to identify points of importance to their own country, and ensure that they are taken into consideration in the preparation of Community Directives, and other international documents. In the case of Member States of the EEC, the national bodies have to advise on the way in which a Community Directive should be implemented. This may well involve deciding which food commodities may contain a particular additive, and within what limits, since it is important to ensure that an additive is not used unnecessarily and that the consumption from all sources does not exceed acceptable levels. Little progress has yet been made towards tackling such problems internationally; dietary patterns, consumer tastes, and industrial practices, differ to such an extent between countries that progress here, even on a Community basis, is likely to be slow. Then again advice must be given by the national bodies for the many classes of additives for which as yet no Directive exists.

Different countries have evolved their own procedures for dealing with food legislation. If I speak today about the UK system, it is not because I claim that it is superior to all others, but merely because it is the one with which I am most familiar.

In the UK, food legislation is based on the Food and Drugs Act 1955. This preserves many features of the earlier Act of 1875 and has two basic principles: protection of health, and prevention of consumer exploitation. Section 1 makes it an offence to sell for human consumption any food to which substances have been added or which has been processed in such a way as to render it injurious to health. Section 2 makes it an offence to sell to the prejudice of the purchaser any food not of the nature, substance and quality demanded. Section 4 requires Ministers to have regard to the desirability of restricting, so far as practicable, the use of substances of no nutritional value. This is normally interpreted to mean that no new food additive should be permitted unless it offers some advantage that cannot be achieved by good manufacturing practices, or by other additives already permitted. It is also taken to mean that the amount of the additive used should be no more than that necessary to achieve the approved technological objective.

To assist them in carrying out their responsibilities under the Act, Ministers have set up an independent expert committee, known as the Food Additives and Contaminants Committee, and another recently renamed the Committee on Toxicity but formerly known as the Toxicity Sub-Committee.

The general provisions of the Act are supplemented by Regulations. The aim is to produce statutory permitted lists for all classes of additives and thus erect a protective fence which, when completed, will mean that no additive which is not on one of the permitted lists may be added to food. The Regulations are drafted on the basis of the reports to Ministers from the two expert committees, but I should like to stress that both the reports and the draft Regulations are made available for criticism by all interested parties before Regulations are finally laid before Parliament.

For each additive the Food Additives and Contaminants Committee has to be satisfied that there is a definite technological need consistent with the interpretation that is given to Section 4 of the Act, that satisfactory specifications for defining the purity standards

of the substance for food use are available, and that the additive does not constitute a hazard to health. On the latter aspect the Committee relies heavily on advice from the Committee on Toxicity. The work of these committees will never be finished. Even when statutory permitted lists have been established for all classes of additives, it will of course be necessary to keep them under review as new information, and new requests, come to hand.

#### Conclusion

What is the overall result of all these international and national controls? At a symposium held in London in 1975 to mark the centenary of the Sale of Food and Drugs Act 1875, Dr. A. M. Schmidt, Commissioner of Food and Drugs of the US Department of Health, Education and Welfare, listed future food hazards in descending order of importance as follows:

1. Food-borne infection
2. Malnutrition
3. Environmental contaminants
4. Naturally occurring toxicants
5. Pesticide residues
6. Food additives

It is significant that food additives came at the bottom of the list. The reason given was that so much is known about many of them, and that all are now, and surely will continue to be, well regulated.

Certainly food additives are today very carefully controlled, and rightly so. The cost of evaluating the safety-in-use of a food additive is already such that some industrialists claim that further desirable developments and innovations in food technology are being inhibited. Nevertheless, as the science of toxicology continues to develop, I would expect the advisory and regulatory bodies, and public opinion, to require further tests to be carried out. If, as the result of testing to new and higher standards, it is decided to revise an earlier opinion on the acceptability of a particular food additive and recommend that its use be phased out, this should not be taken as grounds for concern. It is rather an indication of the great caution which official bodies exercise in protecting the consumer.

## Tasks of an Ombudsman: Possibilities and Limitations

Mr. S. Heurgren  
Director Swedish Consumers Board  
Vallingby  
Sweden

Since the general topic of this conference is "Consumer Interests and Manufacturing Considerations" I will be dealing mainly with matters concerning consumer policy in Sweden. Naturally the work of the Consumer Ombudsman (the "KO") plays an important part in that context.

In order to understand the role of the Consumer Ombudsman it may be useful to recall briefly the Swedish Ombudsman system in general.

### The Parliamentary Ombudsman

The creation of a Swedish Consumer Ombudsman can be fairly described as an innovation on our legal system. However, the roots of the public Ombudsman stretch back into the last century. As early as 1809, the first Swedish Ombudsman was appointed - the Parliamentary Ombudsman. His office was then the first of its kind in the world. I know from experience that it is sometimes difficult to make the proper distinction between the Parliamentary Ombudsman and my office. Let me therefore start off by saying a few words about the Parliamentary Ombudsman and his role in the Swedish administration.

The main task of this Ombudsman is to protect the rights of the citizen in his encounters with administrative authority, or in other words, to check that these authorities treat the citizens correctly and perform their administrative duties justly. This task is carried out by reviewing the actions of government officials and administrators.

The parliamentary Ombudsman accomplishes his work by making inspections of the authorities under his supervision. He also pursues investigations on a long-term basis. These often entail reviews of laws and their enforcement. Suggestions for this form of control often come from private citizens, who write to the Ombudsman with complaints. Also press articles sometimes give cause for the Parliamentary Ombudsman to take action. He is not obliged to give reasons for undertaking an investigation. Most of the cases submitted to him are complaints from private citizens. In 1976, for instance, more than 3 000 such complaints were handled.

The Parliamentary Ombudsman's office enjoys full autonomy in relation to its principal, i. e. Parliament. Thus the Parliament has no power to issue directives to the Ombudsman. On the other hand, he has to present a report of his work to the Parliament each year. The report is then examined by one of the standing parliamentary committees.

As you probably know, our Parliamentary Ombudsman model has inspired several other countries - not only the Scandinavian ones - to adopt similar systems.

### The Antitrust Ombudsman

In order to make the picture more complete I would like to mention another and more recent Ombudsman. I am referring to the Antitrust Ombudsman, established in Sweden in 1954. Unlike the Parliamentary Ombudsman he is appointed not by Parliament but by the Government.

The activities of this office are based on the Swedish antitrust law. This legislation has

devised what may be termed a method of negotiation for eliminating harmful effects of restraints on competition. Violations of the antitrust law are largely solved by negotiation between the Antitrust Ombudsman and the parties concerned.

If the Antitrust Ombudsman should be unsuccessful in his negotiating efforts however he may bring the case before the Market Court. This is a special tribunal which deals with antitrust matters as well as matters concerning the field of consumer protection. I will deal with the role of the Market Court later on in my address.

Having given you these brief glimpses of our Ombudsman tradition, I will now concentrate on the role of the Consumer Ombudsman. It is not possible to do so without also mentioning another consumer agency in Sweden - the National Swedish Board for Consumer Policies, for these two are intimate allies in seeking to promote the interests of consumers in the market.

#### The development of consumer law and consumer policy in Sweden

Producers of goods and services, distributors of goods and services, and other such people involved in transactions with the ordinary consumer are normally trained for their specific functions. They are what one may call "professionals". In many cases they are trained in selling products. They often have a good knowledge of the things they sell. The ordinary consumer, on the other hand, usually has no such background to help make him a good judge of products or services. Therefore the consumer can rightly be described as a "layman" in his consumer capacity.

Furthermore, sellers are often members of special trade organizations, which give them advice and provide them with other services they need in professional matters, including legal matters. Buyers, on the other hand, are very rarely organized. But even if they form groups or organizations, these are mostly of a less effective nature than the trade organizations. From what I have now said it is easy to see that the "supposed" balance between seller and buyer is conspicuous by its absence.

For a long time, however, legislation in Sweden, as in other countries, took no notice of this fact. It was assumed in civil law, especially in contractual law and purchase law, that the buyer and the seller were equal parties, that they were both equally able to look after their economic interests when dealing with each other.

This assumption was, of course, deeply rooted in our Western heritage of civil law, and in a liberal ideology. However, as I have just indicated, sellers and consumers are not equals. When selling goods to consumers the sellers decide which methods to use, which contract terms to offer, etc. These methods have naturally turned out to be favourable to the seller, whereas the problems and interests of the consumer have to a large degree been ignored.

The main aim of consumer protection in Sweden is to establish more of a balance between the sellers and the consumers. In the earlier phases of activity in the consumer field and as late as the 1960's, when the demands of the consumers were not so clearly stated, one tried to improve the consumers' situation merely by comparative testing of products and by supplying general consumer information concerning results etc.

It became clear, however, that these efforts did not give sufficient results. For instance, the manufacturers of various consumer goods did not draw the proper consequences from the test results. And the general consumer information unfortunately did not reach the households which needed it most.

Therefore - since the mid 1960's - there has been a re-orientation in Sweden towards a more active social consumer policy with broader aims and a broader structure. As a result of this, a number of consumer laws have been passed by the Swedish Par-

liament during recent years.

Through our consumer experience in Sweden, we have found that, if legislation is to be of real importance to the consumers, it is necessary to create suitable institutions responsible for enforcing this legislation. Relying on legislation alone, and hoping that the consumers and public prosecutors will be watch-dogs, is not enough. In countries with very strong private consumer associations this task may perhaps be fulfilled by the associations to some degree. But they will never reach all the consumers - and especially not the poor ones. The legislation in Sweden has taken the standpoint that consumer protection is a matter where the State carries the main responsibility.

#### Legislation and other means of consumer protection

One of the first steps towards a more active consumer policy was the creation of the Marketing Act and the Unfair Contract Terms Act in 1970-71. At the same time the office of the Consumer Ombudsman was set up for the implementation of this legislation. The Consumer Ombudsman is appointed by the Government. He is required to have a legal training and legal experience. It is essential to emphasize that he acts independently and that the Government cannot issue directives with regard to his activities. I will return to the work of the Consumer Ombudsman in more detail later, and also to the legislation that he deals with.

The Market Court also started its work in 1971. The Court enforces the Marketing Act and the Unfair Contract Terms Act and is empowered to issue its injunctions under penalty of a fine. This means that the Court determines a sum of money, which the entrepreneur must pay if he violates the injunction. Both consumers and business are represented equally in the Court. The president of the Court is a Supreme Court Judge. The Consumer Ombudsman acts as a prosecutor before the Market Court.

The procedure before the Market Court is rather similar to ordinary court procedure. The proceedings are open to the public and the decisions are published, in order for the decisions to give the guidance intended.

A further step was taken in 1972, when existing bodies for testing, goods description and advisory activities were merged into a single consumer office: the National Swedish Board for Consumer Policies.

In July 1976, a new and extended Marketing Act came into force in Sweden. At the same time the National Swedish Board for Consumer Policies and the office of the Consumer Ombudsman were merged into one authority, where the Director General is also the Consumer Ombudsman.

#### The present tasks of consumer protection

The overall goal for the Swedish Board for Consumer Policies and the Consumer Ombudsman is to support the consumers and strengthen their position in the market. As a point of clarity, let me just add that the "market" does not include social services, such as school-teaching, hospital care etc. Here the supervision is carried out by the Parliamentary Ombudsman. On the other hand, public services of a commercial nature clearly lie within the field of the Consumer Ombudsman. I am referring to railway transport, telephone communication, supply of electricity to the households, etc.

What then are the main problems that consumers meet? Let me outline the problem areas in this way:

- a) The consumers need to be protected or spared from misleading advertising and other improper marketing techniques.

- b) The consumers need to get sufficient information about a product's contents and properties, about its quality and use, etc.
- c) It must be seen to that the consumers get safe products of reasonable quality and well suited to the purpose for which they are intended, and that services are performed properly.
- d) Unfair contract terms must be eliminated from the standard contract forms.
- e) The consumer should be provided with knowledge as to how to act as a consumer in order to best satisfy his needs.

Now, as regards all these points the Marketing Act and the Unfair Contract Terms Act play a very important part. And so does, needless to say, the Consumer Ombudsman in his application of these laws. A close contact with the public is a necessity when carrying out this work. For that reason the consumers can make their complaints to my office completely free of charge and without observing any formal rules.

According to one Section of the Marketing Act any commercial marketing practice may be prohibited if it is contrary to accepted business practices or if it is undesirable in some other way. This fundamental provision aims at protecting consumers against misleading advertising. It can be invoked when, for instance, an advertiser promises too much about a commodity or attracts consumers with a price which he later fails to maintain. This Section of the Act is also based on an important principle which might appear a little strange compared to the legislation in many other countries. I am referring to the principle of the reversed burden of proof. This means that the business company responsible for the marketing practices must be able to prove that its promises and claims are correct. If the company cannot do so without undue delay, it is possible to prohibit the future use of the criticized promise, or of a marketing activity.

Let me illustrate the scope of this provision.

For instance, a number of cases concerning improper marketing of tobacco products have been judged by the Market Court. By its decisions, the Court has severely restricted tobacco advertising in Sweden.

Another case concerned Holiday Magic, a pyramid selling company that you have probably heard of before. In this case I regarded the marketing methods improper from several aspects. Among other things, the company claimed that those who put money into the business and became "dealers" would make large profits. The Court prohibited the company from creating an impression of unrealistic profit possibilities in its marketing activities. The penalty decided by the Court was 2 million Swedish Crowns.

Let me emphasize that it is not often that a matter has to be tried by the Market Court. The vast majority of cases are settled smoothly through negotiation. Less than 1 per cent of all cases handled by the Consumer Ombudsman are solved by the Market Court. The preference given to negotiated solutions is indeed typical of the Swedish system.

The new and extended Marketing Act also contains two very important provisions regarding information and product safety.

Firms, or any person engaged in marketing, may be enjoined, in advertising or in any other form of marketing, to include information which is of special importance to the consumers. Take for instance the price or nature of the goods or services offered. A firm may be instructed to provide a warning on its products, or to make it known in advertisements on the packages or in other ways, that a commodity will not stand a certain kind of usage.

This obligation for business to make advertising etc. informative is, I think, a very important new principle. As far as I know, Sweden is the first country in the world to

have introduced such a rule. So far we have not had very much experience of its effects. Of course, we could not hope to give the consumers a lot of extensive information by means of this rule. But at least the important information, which is lacking today could be brought access to the consumer by means of all the different marketing channels already used and paid for by the businessfirms.

In principle, we now get access to all packages, all advertisements, all sale talks and all selling outlets. Of course we now have to investigate very closely the consumers' need of extra information. In this matter we also negotiate with the businessmen concerned, very often also with groups of companies or whole branches of business in order to establish what information is so essential that it must be given under the Marketing Act. An important part of these negotiations is to establish guide-lines with regard to marketing and product properties. These guide-lines will, I think, prove a very important means of influencing manufacturers and other businessmen.

Recently guide-lines concerning information on the fuel consumption of new cars have been established. According to these, the car sellers in their advertisements and in their showrooms have to give full information about the amount of fuel consumed and the normal fuel price per 15 000 kilometers for different models. These guide-lines are the result of negotiations between the National Swedish Board for Consumer Policies and the Motor Dealers' Organization.

Where there is a special risk that a commodity may harm a consumer or property the new Swedish legislation makes it possible to prohibit its sale or hire. Goods which clearly prove to be unusable (not fit for their main purpose) may also be prohibited.

The provision concerning product safety has so far been applied by the Market Court in one case only. This concerned a forward facing child seat intended for use in cars. It was proved that the use of this seat involved a great risk of personal injury. For that reason the seller was prohibited from selling the product.

#### The Unfair Contract Terms Act and private law reforms in the consumer field

As I mentioned earlier in my address, the Unfair Contract Terms Act is another example of consumer protective legislation in Sweden. This Act is administered by the Consumer Ombudsman. The Market Court is the sole judicial authority regarding the Unfair Contract Terms Act.

This Act has been drawn up to protect consumers against unreasonable contract terms used by traders, especially in standardised contract forms, for example sales contracts, order forms, and guarantee certificates. In Sweden, as in most countries, forms of this kind are usual in the sale of consumer durables such as cars, boats, domestic appliances, television sets and books. They are also used in the sale of services such as package tours, and in the hiring of movables such as cars. The Act was recently extended to cover also terms used when selling property to consumers.

The basic standard used in the application of this Act is non-mandatory private law, above all the Scale of Goods Act. If a contract term is considerably less favourable to the consumer than non-mandatory law, then this is an indication that the term is unfair within the meaning of the Act. It may then be forbidden.

In recent years a number of mandatory private law Acts have come into force in Sweden. For example the Consumer Sales Act (of 1973), which contains a number of mandatory provisions applicable to transactions between a tradesman and a consumer.

The Door-to-Door Sales Act (of 1971) has introduced a "cooling off period" of 7 days. From 1 January 1979 the Consumer Credit Act will strengthen the consumers' rights vis-à-vis the professional seller, who offers credit. Mandatory legislation of this kind

sets the minimum standard for the contents of a standardised contract form. This means that if a contract term is used in conflict with a mandatory law, the term is automatically in conflict with the Unfair Contract Terms Act. Thus these types of contract terms can quite effectively be stamped out, which is clearly in the consumers' interest.

Under the provisions of the Unfair Contract Terms Act the Consumer Ombudsman - and since 1976 the National Board - have accomplished a great number of agreements concerning the contents of contract forms and written guarantees, used in connection with consumer transactions.

If such negotiations are unsuccessful, however, I can bring action in the Market Court against a seller who uses an unfair contract clause. So far, only some 25 cases have been brought before the Court. This, I think, goes to show how favourable the general climate has been for negotiations.

Let me give you some examples of what has been achieved under the Unfair Contract Terms Act. Standard clauses, which have defeated the buyer's right under the Sale of Goods Act to economic compensation or to cancellation in the case of delayed or defective delivery, have been eliminated or modified. Such terms were very common. Furthermore, terms by which a buyer is held unilaterally bound to an order with no cancellation right, while the seller receives an unlimited approval period have been found unfair. I have accepted an approval period of three weeks at the most.

Clauses, which categorically give the seller the right to cancel the contract and keep what has already been paid off, if the buyer does not pay on time, have also been modified.

In the field of consumer services there is at present no legislation on force in Sweden. Such legislation is now under preparation, however. Up till now the guiding principles concerning terms of services have been similar to those of the Sale of Goods Act.

The Ombudsman has settled a number of agreements within the field of consumer services, for example repair services, charter travel, car rental, and so on.

#### Future developments

As you can see from this brief account, many law reforms have taken place in the consumer field during the seventies. In fact, legislation has been considered an effective means of improving the consumers' legal and factual situation in various respects. We have set up a Consumer Ombudsman to look after the implementation of certain consumer laws that I have described here. There is no denying that the results have been quite encouraging. The results achieved are to a large extent based on negotiations and voluntary settlements, but in the background there are sterner measures to be relied upon if necessary. I am referring to the Market Court.

I have already mentioned that next year a new Consumer Credit Act will come into force. Under this Act information of the real credit cost will have to be given to the consumer. Furthermore, the sellers' right to take back goods when the consumer does not pay his debt will be limited.

Different legislative committees are also working with consumer protective legislation concerning for example consumer services, the purchasing of homes and the future handling of consumer complaints.

At present, the Consumer Ombudsman can take action in the Market Court, but he has no power to act on behalf of individual consumers in the ordinary courts. In my opinion this limitation is not desirable. The possibility of giving the Consumer Ombudsman the



power to sue on behalf of consumers in certain important civil cases is, however, under consideration by a government-appointed committee. Such a reform would in my opinion be an important step towards the further improvement of the Consumer's position.

## The Retail Trade, the Indispensable Link between Producers and Consumers

Mr. A. Heijn  
President of AHOLD Ltd  
Zaandam  
The Netherlands

When I read the provisional program for this conference I was a little shocked by the fact that all the papers were given by representatives of either consumers, government or industry.

Although this was totally in accordance with the theme of this conference: "Consumer Interests and Manufacturing Considerations: a Dialogue between Industry, Government and Society", there is however one other major party in the relations between industry and society and that is the retail trade.

I couldn't resist remarking on this to Mr. Van der Velden, Vice-Chairman of TNO and member of the board of Directors of my company, and consequently I was drafted into this conference.

I would like to seize this opportunity not only to underline the importance of the retail trade to the whole process of consumerism, but also to put forward some proposals which could be of some benefit to all parties concerned.

The subject of this paper is "The Retail Trade, the Indispensable Link between Producers and Consumers".

As you all know the primary function of the retail trade is to offer different goods to the ultimate consumers in such a way that they can buy the quantity they require at the time they want to and as near to them as possible.

This function originates from the time when the production units developed to such an extent that they could produce more than they could sell in one outlet. Before that time there was an integration of the functions of retailer and producer in shops, working places or markets.

In those days the retailer acted as representative of the different producers.

A very important development within the retail trade, namely the substitution of personal selling by self-service, which in my opinion is connected with the growth to maturity of the brand product, has had a profound influence on the development of consumerism.

During the personal selling days the consumers were in personal contact with the retailer and they had sufficient opportunity to claim their rights if necessary.

In those days it was also a fact that the power of the retailer was limited and the number of competitors very large indeed.

Nowadays, with inaccessible producers and impersonal retailers (at least compared with the past) it is perceptible that the consumers feel insecure and as a result are claiming their rights.

As in the old days it is the task of the retailer to give the consumers their rights as far as he is able to, but whereas he was the producer's representative in the past, he must now act as the consumers purchasing agent.

Of course this task of the consumer's agent does not mean that the retailer ought to give in to the every wish of whatever group of consumers. He has a responsibility towards his total group of clients and of course towards his own interest as well.

With this in mind I would like to give you a short list of subjects mentioned in the annual report by the Dutch Governmental Committee for Consumer Affairs about government policy for the period 1976-1977.

- o product information:
  - decree about quantity information
  - unit-pricing
  - misleading price information
  - informative labeling
  - specification of bills
- o - consumer education

- o - product safety
- o - economic protection against wrongful trade practices
- o - strengthening of the legal position of the consumer
- o - social-economic measures.

I would now like to go into a number of these subjects in more detail. This is for two reasons. The first is that I'd like to show you that the retail trade plays a vital role in essential aspects of this policy.

The second one is that I would like to suggest that there is room for improvement in the proposed laws and EEC regulations.

Although the subjects mentioned earlier play a part (one of importance) in all western countries, and I could use several retailers as an example (Migros for instance) I do hope that you will forgive me if I take my examples from Albert Heijn Supermart.

To give you some background information I can tell you that Albert Heijn Supermart is a ninety-year old chain of + 380 supermarkets and self-service stores in the Netherlands. With a turnover of 2500 million guilders in 1977 it is the leading Dutch grocery chain.

#### U. S. D. (Ultimate Sales Date)

As freshness is an important aspect to the consumer of perishable food products it is most appropriate for him to get information about it. For this reason it is necessary to have open date coding on the packaging of perishable food products.

Because a lot of these products are unbranded or have private labels, it is the retailer who is responsible for providing this information. He can also exert his influence on the manufacturers of branded products to use open dates.

A more important task of the retailer is to make sure that he sells products in perfect condition to his customers.

Albert Heijn uses an ultimate sales date system, where by the consumer is informed how long the product will stay fresh, of course under good storage conditions.

The personnel is instructed to control the stock every day and to check that no products are sold after the ultimate sales date has expired. On the ultimate sales date any excess stock is reduced in price.

A special "from-for" sticker has been developed for this purpose. There is a rule that states this sticker must not cover the U. S. D.

The reason for the price reduction is thus clear to the consumer.

If an item is still unsold after its ultimate sales date has expired, then the orders are that it must be destroyed.

In my opinion this system of U. S. D. + numbers of days during which the consumer can use the product is a very sensible system. It ensures the consumer of good, usable products.

I regret to say that in our opinion the proposed EEC regulations for open date coding are inferior to the system we use for the consumer.

The EEC wants every one to use the ultimate consumption date (which is the same date as U. S. D. +).

There will be no obligation for the retail trade to sell the product a number of days before the ultimate consumption date (as is the case in our system today) and it is impossible to do this on a voluntary basis, because the number of +days is different for different products and shop personnel would have to do a tremendous lot of subtraction to find and control the U. S. D.

#### Unit pricing

I agree wholeheartedly that the consumer has a right to be fully informed about the prices of the products offered in such a way that she can easily compare them. Since the abolition of the retail price maintenance it has become the sole responsibility of the retailer to set the price for a product. This means of course that only the retailers

can be held responsible for providing this information to the consumer. But although I accept this principle, and my company Albert Heijn has in fact a system of providing unit-pricing information via shelf stickers, it does not mean that I fully agree with the proposed EEC regulations. In my opinion not enough attention has been given to the purpose of this system of information for the consumer. It is stated that the prices should be given per kilogram or liter, presumably in the state they are sold in. This means that if the consumer wants to compare the prices of, for instance green beans in the following states: fresh, quick frozen, canned or dried, she is unable to do so in a justified manner (all prices for the same weight of prepared products). But perhaps it is only relevant to compare different products in the same state for instance fresh? Even then, there are differences in the amount of finished products with which you are left from one kilogram. There can also be differences in the quantity required which is also relevant for the consumer when she compares prices. When we know that too much information has already been given to the consumers in many different ways it is wise, in my opinion, to distinguish carefully what is really useful to them and what is not (or very seldom). In this respect I think that it is wrong that retailers and manufacturers are also obliged to mention the unitprice in their advertising. What is it going to be used for? What should the consumer compare it with? Very rarely are products in the same product category advertised at the same time so that a comparison at home is possible and sensible. I suggest that the willingness of the government (including the EEC-commission) and consumer organizations to regulate everything by law, as quickly as possible, has resulted in a proposal which is not very clear in its aims and its execution.

#### Nutritional labeling

In general it can be said that the average Dutch diet contains too many calories and too much fat. Although most consumers will know whether their diet is balanced and good from a nutritional point of view, they don't always have the right information about the products they consume so that perhaps they can adapt their way of eating. In the olden days grocers as a matter of routine advised their customers about what was healthy. Also nowadays it is logical to make food stores the central point for disseminating nutritional facts and advice. (Where could a more natural place be found to inform people about nutritive values than the place where consumers buy their food?)

So, I think it is the joint responsibility of industry and retailers to arrange nutritional labeling, and to inform the consumer and educate him.

Whereby I would like to add that I do not think that the education should take an "imposing" character. The customer must be informed that his habits may be wrong, he must be informed which alternatives are open to him, but should be left alone to decide what he wants to do with that information.

Albert Heijn and the Spar, a voluntary chain, have developed a nutritional labeling system. Information is given about the energy (in kilojoules and kilocalories), the amount of protein, carbohydrates and fat per individual portion.

There is also a graph which gives information in a very simple way about the nutrition-

al density (the nutritional value compared with the energy) and of a number of micro-nutrients information is given about the contents of the product in relation to the advised daily intake.

As the industry is using a different label (several different ones in fact), an attempt is being made now to create a standard system of nutritional labeling in the Netherlands. (And perhaps also elsewhere, for instance in the United States where there is great interest in the Albert Heijn design).

I do hope that it will be possible to reach a voluntary agreement with all parties concerned (industry, retailers, universities, government and governmental institutions and consumer organizations) in the interest of the consumer.

#### Quality guarantee

Although the manufacturer of a product is primarily responsible for the quality of that product, it is the retailer who is held responsible by most consumers if they purchase a faulty product. The manufacturer is a very abstract institution to most consumers in comparison with the retailer who is often personally known to them.

It is thus a major task of the retailer to help the consumer when he or she has problems with a product.

Some retailers give their consumers an unconditional quality guarantee.

#### Misleading information

Although there is an infinite number of ways in which deceptive information can be conveyed to the consumer the one that recurs most frequently is of the type in which a retailer advertises a tremendous offer but can only satisfy a very small number of clients. It is used as a device to get customers to the shop, supposing that they will buy other goods. To prove to the consumers that the intention of the retailer is not to deceive them the institute of the raincheque is a very valuable instrument. With this cheque the consumer is entitled to the price reduction advertised, when the product is back in stock after being sold out, even though the price is back to normal. For advertised products from the regular assortment this guarantees the consumer that the trip to the shop will not be in vain.

#### Product liability

In my opinion, the proposed EEC directive on product liability is a very unbalanced one. It gives the consumers so many rights, and so many unjustifiable ones, that the result of this directive will be that a few consumers will be better off, but the majority will be worse off.

It can be expected, that the retailer who will be held responsible for the products imported by him, will select manufacturers much more carefully. He will also think twice before taking the risk of operating a private label.

In this case it could mean a price increase for all consumers since the lower priced alternatives will disappear from the assortment.

In these days of terrorism it may even be too great a risk to sell unpacked products, such as fruit.

If the retailer is to be held liable for the damage resulting from terrorist activities (e.g. poisoning of oranges with mercury) this would not only be very unfair, but also very costly.

The effects of this directive can not have been judged yet in all its consequences but the impression is that it will result in a serious cost and price increase.

As you have undoubtedly noticed I have been rather critical about the proposed laws and regulations.

The reasons for this are not that I do not believe in the necessity of protecting the consumers, but that I am not in favour of the way in which decisions about these laws are being made.

Our society is a very complicated one. There are many conflicting interests not only between the various interest groups, but also within them. One of today's great problems is the fact that an interest group has been formed to represent each interest, and it concerns itself with that interest to the exclusion of all others.

The greater the power held by a certain group the greater the chance it has of enforcing its solution to problems through legislation.

Although it is probably unnecessary, I would like to present you with several complex problems as examples:

- The structure of the retail trade.

Because of consumers showing a preference for low prices and convenience via one-stop-shopping to the convenience of the local shop, the latter has been hit rather heavily and their number has greatly diminished, which has, for the less mobile members of society, a definite disadvantage.

In a report published last year concerning an investigation into distribution provisions in small communities it appeared that a large majority of the residents concerned were in favour of keeping their local shops especially in the food sector.

It didn't follow though from the research that those consumers concluded that they themselves could influence the existence of those small shops by shifting their buying pattern from the SM's to those local shops.

No 55% of those questioned felt that the shopkeeper should be subsidized by government (and let other consumers thus pay for their convenience) if no other solution could be found.

- Another example of the complicated manner in which our society solves its problems is the increase in the minimum wage for young staff.

This purely re-distributive measure does not act directly via the tax-system, but via the wage system.

That would not be unjust if this would be directly calculated into the prices, but that is politically difficult, this is why heavily-hit companies, such as the retail industry receive subsidies when they employ younger personnel. This makes the whole process very complex indeed.

- The last example comes from England, where it seems conflict has arisen between consumer organizations and trade unions.

The cause being that it appears from a comparative study of goods that certain foreign products are better and/or cheaper than English ones. If the consumer buys more foreign products because of this, the result is unemployment and loss of capital and thus considerable extra cost for the consumer when paying his contribution towards tax, social security and pension funds and also in his role as shareholder.

It seems to me to be high time that the narrow interests of the individual groups were put to one side, then together we can attempt to find solutions to problems, such as the aforementioned.

In this respect it is very sensible in my opinion, to listen to the advice of Mrs. Esther Peterson, who is very active in the consumerism movement in the U. S. A.

At the moment she is, 70 years old, special assistant for consumers affairs to President Carter, after having served the Presidents Kennedy and Johnson in a similar function. In the in-between period however she served as vice-president for consumer affairs of Giant Food, a regional chain of supermarkets in the Washington D. C. area.

In this function she was able to make Giant Food a very progressive firm concerning consumerism in all aspects of its policy (and to turn it also into a commercial advantage). When she was here, in The Hague, in november to deliver a speech she advised us (that is all parties concerned) to try to prevent a situation occurring in which it is necessary to introduce a law.

She advocated very strongly for cooperation between industry, retailers and consumer

organizations and reach voluntary agreements. The reason being that passing a law is very time-consuming and it is even more time-consuming to reform or abolish a law (and most laws are far from perfect).

The cooperation is seen as a future development by Mrs. Keuning and Ketels in the Dutch monthly paper: "Economics" in their article titled "Consumerism, theory and practice".

After the present stage in which the parties concerned oppose each other and where the government has a regulatory role they envisage a third stage.

In this stage they expect further integration via a decision model in which an ex-ante agreement of intention between all parties involved is central.

Decisions concerning consumption and production are then reached after a decision process in which all relevant aspects are weighed up.

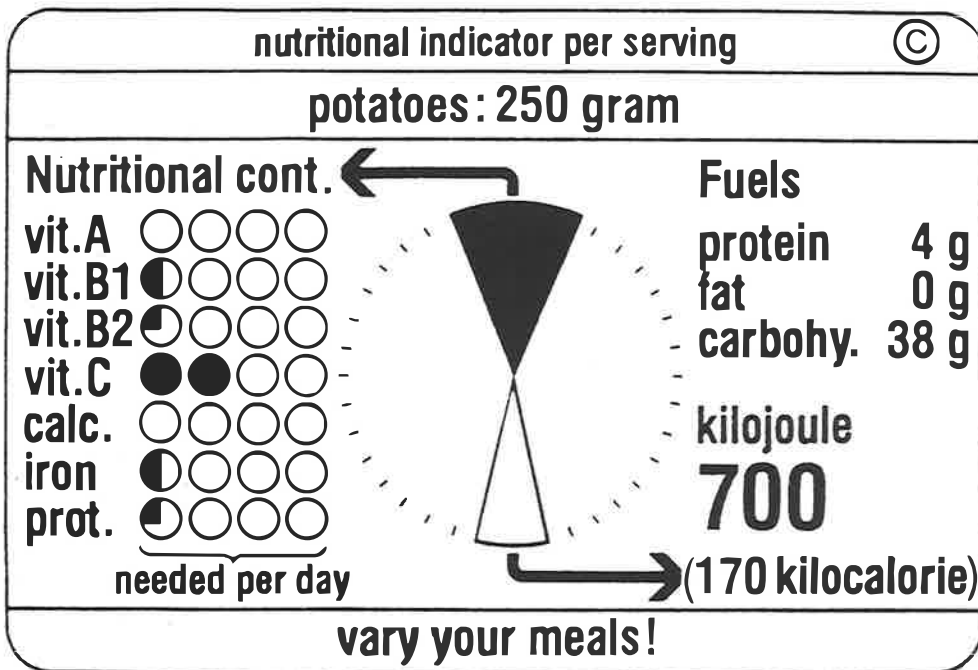
Also in the report "The coming 25 years - an exploration of the future for the Netherlands" by a special committee of the Scientific Council for Government Policy it is expected that although the influence of the government will grow, it will change its character from interfering and regulating to discussing and negotiating with all the groups involved in the decision process.

If it is expected to develop in this way, and it is so much more in the interest of the consumer, not only in his role as such, but also in his role as employee, citizen, taxpayer etc., then I wonder why it should be necessary to wait any longer.

I advocate very strongly for a change of attitude of all parties concerned.

If government industry, consumers and trade all aim at cooperating more with one another, all parties would benefit.

As far as the retail trade is concerned, I shall go so far as to say that you will find in us a partner highly in favour of, and prepared for, this development.



## Industrial Policy towards Consumerism in relation to Electrical Household Appliances

Mr. R. E. Fenney  
The Association of Manufacturers of Domestic Electrical Appliances  
Luton  
U. K.

It is now more than seventy years since the first electrical appliances were produced and offered for sale. In those days the product itself was generally speaking uncomplicated, as were the components used in the manufacture and because of their simplicity were by modern day comparison fairly large and were manufactured from less sophisticated materials than are currently in use today; for example porcelain, fire clay, sheet mica, glass were the principle insulating materials; cast iron, sheet steel were used for the appliance casing, vitreous enamel was the usual form of finishing, wood was used extensively for handles, knobs etc.

Standards whilst not unknown were usually in the form of a manufacturers production specification or an industry standard, both being very elementary forms of standards.

With time and technological progress the product changed and the standard making activity in many countries became a National matter and specialised bodies were formed to write the necessary standards, many of the countries having these standards were the early members, and of course still are member countries subscribing to the work done in the I. E. C.

Whilst our subject matter is concerned with electrical domestic appliances, we must consider what is a standard; a standard can cover the safety aspects, dimensional requirements, performance, or physical properties either collectively or as separate detailed requirements.

During 1967 in Washington, U. S. A., the IEC T C 61 met for the first time to make international requirements for the safety of electrical domestic appliances; at this time in Europe the C. E. E. had been using a series of standards dealing with safety in conjunction with a certification scheme, these European standards were used as the base documents for the T C 61 work.

There followed a period of great activity, which indeed is still continuing, consisting of two meetings per year, many thousands of documents being circulated consideration of these documents by National Committee comment papers, committee discussion until final acceptance and publication.

One can ask what has been achieved as a result of this work; firstly the principal achievement is that many countries where supply voltages are different where the basic problems throughout the years have been solved in different ways but still giving the same degree of protection have managed to reach common agreement. True in some cases a compromise has been the only solution but none the less there exists today a comprehensive range of standards covering domestic appliances. These standards are currently being revised and republished in a second edition.

When the second edition is published, work will continue as it is now, because the standard can never stand still it must develop as technology develops, but should never be subject to change for the sake of change and should never restrict design or the introduction of new materials or techniques.

Today the domestic appliance in many cases is a very sophisticated and complex electrical equipment, by applying the standards requirements the engineer can design to an internationally acceptable safety level, embracing not only electrical safety but mech-



anical safety and also against the risk of fire . Compliance with the standard has also removed previously existing trade barriers, particularly at the time when only National standards were in use. As a useful addition to this the standards are being used as a basis for certification and approval schemes both National and International.

For the bodies using the standard for certification and approval, it provides for a standard method of testing with reproducible results being obtained from the test criteria provided by the standard again allowing for a greater acceptance of the test reports between countries, thereby allowing greater freedom of trade.

Another aspect of standardization dealt with in IEC is TC 59, who is concerned with performance and this particular committee writes standards covering Standard Methods of Measuring Performance; each appliance having certain criteria that is applicable to all for example dimensions, mass supply voltage and each appliance will have its own specific performance parameters; taking the case of a clothes washing machine this would be the washing index of the machine when measured in accordance with the standard method used, of course washing index is not the only parameter for a washing machine.

For many domestic appliances, Standard Methods of Measuring Performance have been published and some are already going through a revision, again changing technology not only in the design of domestic appliances but also with respect to the work they perform, textiles are changing, detergents and soap powders are changing, a world wide emphasis on energy conservation are all in part responsible for changing design, and therefore the need to change or keep under review our present day standards.

Throughout this work Industry have been represented and make a great contribution both in manpower and in follow up laboratory work in order to establish that test procedures and specification requirements are possible to meet and above all that results so obtained are reproducible, the work goes on and Industry will continue to support this work.

The professional consumer bodies have participated in this work usually through National Committee structure and generally on some highly emotive matter which in some cases has not been very well substantiated but none the less has been responsible for changes to the Standard which has been very costly to introduce and without real evidence that additional safety has been achieved, but certainly the convenience factor and loss of performance have been introduced in some cases.

Generally speaking this is not what the consumer wants, unfortunately all too often the professional consumer "think" they know what the consumer wants and because they have the voice they are able to influence the action, but at the end of the day what has the consumer got out of this, some people will undoubtedly say "a more expensive product" which of course to some extent is true, but it is also a safe product which must be worth something; from the SMMP results information related to performance, which I will enlarge on later, is given to the consumer, this enables one to make the right choice of product and we hope a contented consumer.

If I can return for a moment to the question of SMMP particularly for clothes washing machines and dishwashers there is continuous research going on between manufacturers of detergents/soap powders, the machines manufacturers and textiles industry; we are living in a rapidly changing world and the new materials being produced by the textile industry need special care during laundering, obviously the effect of this on the detergent industry is considerable since it is no viable to have a different powder for each type of material or dye it is necessary to change existing formulations in order to have a detergent or soap powder that will be effective for all materials.

Likewise, the washing machine itself must have a diversified programme in order that

the wide range of materials can be adequately covered; there is also an environmental problem associated with this research, that is the problem of effluent discharge and a problem that the detergent industry is well aware of and in making new formulations do not include chemical materials that are likely to cause contamination where the effluent is discharged.

Now what part in all this is the Governmental role in this, obviously it is a difficult one because in most families the naughty child is there as well as the good, and of course this happens in the Industrial side and also on the consumer side so in order to "protect"; many countries now have some form of consumer protection law; in many cases the law protects the consumer from unfair trading by way of misleading advertising, ensuring fitness of purpose and matters of this kind. Most manufacturers however in the appliance industry have given not only fair descriptions of their products but also for the more functional products e.g. washing machines, food mixers, refrigerators, freezers, very comprehensive instructions for use and in some cases care and maintenance, so it is only the naughty child of industry who is likely to be in trouble. Fortunately these are few indeed; whilst this legislation is not Industry inspired it has the support of Industry and in most cases it has not been necessary to resort to legal action to reach a satisfactory result between manufacturer and consumer; in saying this I do not wish to give the impression that there are a great number of consumer complaints that could result in legal action, this is certainly not the case in the U. K. as far as the household appliance industry is concerned.

One other aspect of Governmental action which is likely to have some reaction in the industrial consumer relationship is the subject of Energy Conservation, a very important matter and one that affects all of us.

For many years certainly before any energy crisis manufacturers have in their instructions for use included information regarding the most efficient way in which to operate the machine to obtain maximum performance with resulting minimum energy consumption to achieve that performance; there are now proposals in certain countries in fact in some a legal requirement to label machines showing the energy consumption used by the machine, measured under certain Standard Test Conditions. Whether this will have any effect on energy saving is difficult to say especially since the total energy consumed in the household situation is a small percentage of the total energy consumed.

So what does the consumer really get from all these legislative requirements? In my opinion only the comfort that he has redress through legal means which were always available through civil action previously.

Having dealt with the Standards and governmental aspects, I would like to stress the fact that Industry has for many years maintained an industry consumer relationship which although varied in application achieves the same end result - that is consumer reaction to the product in the market place; some manufacturers do this by independent market survey, by using consumer panels to use and comment on the products by using selective areas in which to sell a limited quantity of products and following up on after sales reaction, another important area is of course information related to after sales services from which both design and production faults can be monitored and the necessary action taken.

Earlier I spoke of the specific research by the interested industry sectors on washing machines; the manufacturers consumer panels play an important role in this work, and provide a valuable source of information which is complementary to the in house testing done by the manufacturer.

In most cases as a result of the information obtained by the previously mentioned methods, manufacturers are able to make changes in order to meet the needs of the

consumer, don't misunderstand me I am not saying that each consumer can have an appliance tailor-made to suit his individual needs, but certainly by careful analysis of the information obtained the more general requirements can be recognised.

Of course there are other considerations that must be taken into account. One has to consider the cost effectiveness of making changes regardless of the reason, there is little point in making a change if the cost is going to increase considerably but say the increase in performance, or a more pleasing product appearance is all that you have to show for the increased cost. To give a practical example of how this sort of information can help both industry and consumer I would like to refer to the servicing aspect. During the immediate post war years we had a sales happy market and consequently with time service problems were created and it was not uncommon for the consumer to suffer long delays before completion of the servicing operation, this was due to a variety of reasons - shortage of service engineers, shortage of components, poor stock accounting and distribution of essential spares to service depots, a variety of methods used by different manufacturers to carry out the servicing operation. Understandably the delays were of great concern to both manufacturer and consumer.

Members of industry studied this problem and were able to prepare a Code of Practice in relation to servicing with the aim of achieving a much quicker response to service calls and requirements, this Code of Practice has been adopted in Europe by many manufacturers in the Electrical Domestic Appliance Industry.

The Code not only covers the time at which service and repair functions should be completed, but also a consumer liaison operation which includes an arbitration service. When the scheme first started the consumer liaison body had a lot of work to do, now after several years I am happy to say that the work load has decreased considerably and during this time very few cases had to go to arbitration. The scheme is now working well and the number of complaints related to excessive time being taken on servicing are few.

It is interesting to note that during the study of the servicing problem, and I am now talking only of the experience in the U. K. , a large number of appliances made by different manufacturers included in the same components but because each appliance manufacturer allocated a unique reference number to the component to suit his own accounting and manufacturing procedures, many service operations were delayed because service agents were not aware of the compatibility of the various references being used. This has now to some extent been rationalised and the component part more easily identified.

This has led to a further study in the areas of common components and the possibility of rationalising dimensions such as spindle sizes, fixing methods and dimensions, work is still progressing in this area.

Another aspect of industry consumer activity is the rationalisation of product information, as previously mentioned manufacturers have supplied information to the consumer in relation to specific products, this information was supplied in a variety of ways and the manner in which it was given and the content of the information has also varied.

This matter was considered by C. E. C. E. D. (Conseil Europeen de la Construction Electro-Domestique) the European manufacturers of electrical domestic appliances organization, who decided that the consumers interests could best be served by having a Standardised Product Information (SPI), and work was started on this project. Today there is an S. P. I. for most of the products in the industry and essential information related to the product such as dimensions, performance aspects, energy consumption etc. is given. This information enables the consumer to evaluate and compare products before purchase, thus helping the consumer to buy that which is best suited to his needs.

These are just two areas where industry have taken the initiative and produced something for the benefit of the consumer, other work is going on and will continue, but what about the future? My own impression is that because of certain measures being taken by governmental bodies supported by, and in some cases initiated by consumer group bodies that in the long term the individual consumer will suffer in so far that the number of products from which to make a choice will be reduced. I feel also that the very wide price bracket covering most appliances will be very much narrower in future. This of course means that whereas today some people may wish to buy a very cheap product with limited performance will not be able to do so in future. Signs of this are already apparent in the automobile industry and I feel that this will happen in all areas of consumer durables.

This means that a consumer, and we are all consumers, will lose something that to all democratic people has been, for many hundreds of years, one of the basic tenants of democracy; that is freedom of choice, this in turn will reflect on industry. At the moment I would say that the relationship between industry and the consumer is as good as it has ever been. A contented consumer is always a good customer, industry needs good customers to survive. I sincerely hope that the future will in spite of my pessimism hold good for both industry and the consumer.

## The Role of an Independent Research Organization

Mr. W. C. L. Zegveld  
Director of the TNO Staff Department for Strategic Surveys  
Delft  
The Netherlands

The quarter-century from 1948 to 1973 was one of exceptional prosperity and world-wide economic growth. Although long-term historical comparisons are hazardous, it is probably safe to say that the average GNP growth rates of 4 - 5 percent which were achieved in the OECD area throughout this period, had never previously been attained for so long in so many countries.

It is generally agreed that technical innovation was an extremely important factor in the prosperity of the 1948 - 1973 period. High rates of technical change were attained both in the new rapidly expanding industries, such as electronics, pharmaceutical products and synthetic materials, and in some of the older industries such as coal-mining and, of course, in agriculture. The steady improvement in output per man in most sectors of the economy, together with redistributive social policies in many industrialized countries, have meant that the standards of living were probably rising more rapidly for more people than in any comparable period in the history of the world.

This development has created an abundance of goods and services for a large majority of the population. In this process, however, the distance between producers and consumers has increased, due to such factors as the enlarged scale of industry, the application of certain marketing techniques and, in a later stage, the environmental effects of production and consumption. It can be concluded that consequently the relationship between industrial enterprises as producers of goods and services, and the consumer has drastically changed during the 3rd quarter of this century.

It is about the middle of this period, in 1962, that President Kennedy proclaimed the basic consumer rights: the right to safety, the right to be informed, the right to choose and the right to be heard.

It is also in this period that because of feelings by the consumer of uncertainty and dependence, consumer organizations started to become recognized as parties to defend the interest of the consumer collectively. As a result membership of consumer organizations in most industrialized countries started to climb substantially.

From a technological side, action by consumers organizations was mainly focussed on product information, health and safety, servicing and product performance.

During this period the independent research organizations including TNO have become engaged in a number of activities within the producer - consumer - government triangle. Activities that must be seen within the socio-economic climate at that time. Towards the producer this meant assistance in the hardware-end of product development and product testing; towards the consumer it meant mainly comparative testing of products with respect to performance and safety; towards government it meant the execution of programmes to provide a basis for regulatory action especially regarding health and safety aspects of products and production processes; examples of the latter are: safety belts for cars and crash helmets for motor cyclists.

It should be mentioned the product development activities of the independent R and D organizations have been substantially influenced by the work done on behalf of the consumers organizations. The annual number of contracts of the TNO organization from some consumer organizations in Europe and the United States presently stands at some 65. This can be taken as an indication that in addition to the qualitative impact, the quantitative influence can be regarded as considerable.

Size and composition of private consumption ought to be determined by the subjective

preferences of the consumers in which process the price mechanism plays an important role. The price mechanism will, however, only function well when all relevant factors are included, a condition which is presently not being fulfilled. External effects including environmental pollution and long-term effects such as the future scarcity of raw materials and energy are not or not sufficiently being included in the current price mechanism.

Many authors have described this problem in detail and public awareness of these problems has been substantially increased by the first publication of the Club of Rome: "Limits to Growth".

In addition to these factors the concept of the international division of labour is operational to an already large degree. The exportation of both traditional industries and of rather new industries e.g. mass produced electronic consumer products is a fact and the report "Reviewing the International Order", the so called RIO report, prepared on behalf of the United Nations, indicates of what we might still see happen.

It has been largely accepted, although not yet fully, that the role of industry as a producer of goods and services has changed and is changing further.

John Kenneth Galbraith in his book of 1967 the "New Industrial State" formulated the principal choice. Quote: "For if the economic goals are the only goals of society, it is natural that the industrial system should dominate the state and the state should serve its end. If other goals are strongly asserted, the industrial system will fall into its place as a detached and autonomous aim of the state, but responsible to the larger purposes of society." (unquote). It is clear that we have moved and are still moving to the latter end of the spectrum.

Contemporary government innovation policies towards industry may be interpreted in this respect as an attempt to achieve simultaneously diverse social goals which can not be easily reconciled. One of the main difficulties is that responsibility for policies which affect technical innovation is normally divided between several different government departments. Some have a direct responsibility for stimulating, encouraging and supporting invention and innovation in agriculture, industry and services. Others have responsibility for safety, employment, consumer protection, education, the environment, international trade and so forth. They are in many instances only imperfectly aware of the implications of their departmental policies for innovation elsewhere in the economy and when they are, they are mostly too pre-occupied with their primary mission to attach any weight to them.

On this view, some argue that the springs of productive enterprise are gradually being clogged up by an accumulation of paternalistic legislation and bureaucratic interference. Against this, others argue that the cost, complexities and risk of technical innovation in many branches of industry are now becoming so great that an even higher degree of government involvement at all levels is quite inevitable.

But even in socialist economies the debate on the role of the market continues and so does the debate on centralisation versus regional or enterprise autonomy in major areas of policy making.

Ideally, it should be possible to develop and apply policies which could derive the maximum social benefit from a continuing flow of useful technical change, whilst simultaneously foreseeing and averting many, if not all, of the potentially damaging social and environmental consequences.

The aim of such policies should not be growth per se, but the introduction of such change in the economy as would maximise the welfare of the population including employment, health and environmental amenity as well as more directly economic goals.

It is within the scope of this emerging new socio-economic context that I will describe some trends in the role of independent research organizations towards industry, the

consumer (society) and government.

### The role of an independent research organization towards industry

The activities of an independent research organization towards industry can be divided into three main categories:

- innovation
- technical information
- longer term activities.

#### Innovation

It is generally agreed that industry needs innovation in order to maintain its competitiveness on international markets, thereby assisting in maintaining and creating a proper economic base. The important question of the direction of innovation remains to be answered, but a large number of societal problems are awaiting solution. With regard to the discussion of the types of innovation - process versus product innovation and fundamental versus improvement innovation - it is generally agreed that main emphasis should be put on the development of completely new products and processes as compared to the improvement of existing ones.

There is a distinct trend that service-organizations to industry, including the R and D organizations such as TNO, are broadening the scope of their activities. Where management consultancy firms have added hardware product development activities to their package, research and development organizations have added management services. This is an attempt to structure the innovation process in such a way that the uncertainties for industry become minimized.

In this respect the total innovation process within a firm can be divided in two parts. Part one is the strategy - development process meant to determine the direction of the innovation. In this process the behaviour of the firm is determined, internal strengths and weaknesses are analysed, and external chances and threats are determined. Also a rough analysis is made of the behaviour of the competition, of the consumer, of the general trends in society and of the relevant technology.

Based on this information, so called search-fields are determined, evaluated and selected. Within these search-fields, "new markets" are then being looked at with attention to more specific requirements and problems. These requirements then provide the basis for the development of product ideas.

The relationship chosen between firm and consultant in this process is often the one common in management consultancy; the consultant becomes temporarily, and often part-time, a part of a company team of collaborators, a set-up not previously exercised in the contacts between R and D organizations and industry.

As to the means which a firm could have at its disposal to acquire the necessary technology it has to be determined whether licensing, joint-ventures, company acquisition, in house research and development, and/or contract research and development would be the most profitable one for the subject firm. Most times combinations of these possibilities are chosen.

This description has gradually brought us to the point of technical information.

As to technical information services the research organizations themselves should be considered as the information-systems. This in contrast to the many available computer data retrieval systems. Since innovation process studies show that person to person communication seems to remain effective - the asking of questions to computer data banks remains expert work - and the translation of the findings into the subject requirement often is no simple matter, an intermediary agent is required in most cases.

R and D organizations with their knowledge of technology, of industry and of other sectors of society in need of technical information are taking up this task of providing an interface.

Long-term development activities presently suffer from a drive that the R and D effort ought to become more relevant. The current financial situation in industry leads towards specific company plans.

In view of the fact that new technologies might be considered of prime importance to employment on a longer term it should be warned against that this drive towards shorter-term objectives should not become general practice at the level of the independent R and D organizations. The relevance of these organizations should not become translated into short term efforts and successes only.

Studies by Freeman of 50 major clusters of technical innovation over the past decades shows that the role of the R and D organizations in developing and applying a number of new technologies has been considerable.

#### The role of an independent research organization towards the consumer (society)

As I described earlier, the main work of independent research organizations towards the consumer has been on comparative product testing, including health and safety aspects and product performance, all related to product cost. Along this line of development it can be argued that it is not, or should not be, so much the sales price of the product that is of interest to the consumer but rather the total life cycle cost.

Studies, regarding this problem, have been performed within the NSF programme by the Centre for Policy Alternatives at MIT and within the ETIP programme by the National Bureau of Standards, both in the U. S. A. In the MIT study the appliance industry was selected because it represents a substantial investment by American consumers who in 1972 alone paid \$ 5,4 billion for home-electronic products and another \$ 7,5 billion for other major appliances.

While these figures underscore the economic magnitude of the appliance industry they also illustrate that the public generally is not aware of the total cost of appliances, what is termed the "life cycle cost" of the product, which includes purchase price, cost of energy used in operating the product, the cost of maintenance and repair and even the disposal cost.

Results from the MIT study were that with respect to color television sets servicing costs accounted for 35% of total life cycle costs, purchase price 53% and energy costs 12%.

On refrigerators servicing costs were 6% of total life cycle costs, purchase 36% and energy costs 58%.

It is obvious that the consumer, who looks first to purchase-costs only, is often not aware of the substantial magnitude of servicing and energy costs. As a result manufacturers have not paid as much attention as they should to reduce these costs, although, as Mr. Fenney just indicated, action is now well under way. The increased cost of energy since the MIT study would put still more pressure on this fact. Under the ETIP programme, the General Services Administration is experimenting with procurement techniques concentrating on life cycle costing, value incentive clauses and the use of performance specifications on a number of products. This programme is still under way and it has been reported that progress is encouraging.

The increasing use of appliances is creating a number of societal problems, the mag-



ntitude of which can be illustrated by the fact that in the U. S. A. in 1972 an estimated 330 million major appliances, such as washing machines, dryers, dishwashers and refrigerators, and 115 million television sets were in use.

In addition to the problems of water consumption, raw material requirements, energy consumption and the related environmental problems, there is the solid waste problem.

A European consumer organization is currently supporting an experimental programme at TNO related to the appliance life-time issue, and aimed at answering questions like:

- can the product-life-time of appliances be expressed in specific units
- what properties do mainly determine the life-time of the appliance
- does better serviceability diminish the cost to the consumer
- how well are appliances suited for recycling - materials used, coatings applied.

Two important points are showing: first the interest of consumer organizations in problems of secondary effects and long-term consequences of consumption and second the lack of available testing methods and procedures. The latter point had already become apparent in comparative product testing over the past decades and is becoming substantially enlarged and even acute.

It is with respect to these latter complex problems that independent research institutes have an important role to play.

#### The role of an independent research organization towards government

As advanced industrialized countries are forced to pay increasingly higher prices for the resources they import, there will be government support in most of these countries for technology which can constrain consumption of resources; by conservation of energy, by recycling of metals and increasing the durability of products.

The actual rate of change, however, depends much on the replacement rate within the economy. In an economy like that of Japan or the U. S. A. , with a high investment ratio and high standards of obsolescence, this occurs rather quickly. When capital stock is thus being turned over every five years, a country is better placed to adapt than when this happens only every ten years or so. The speed of change versus the speed of the consumer's reaction is thus vital; ironically, the most resource-wasteful economies with the most rapid obsolescence-rates may find it least troublesome to adjust to resource scarcity.

Several writers, including Schumacher and Illich have in different ways addressed themselves to the problems of radical government intervention vis a vis energy, resource policy and industrial policy.

It can be considered quite probable that government intervention will be observed in the years to come; such as formulated and controlled conservationist policies, fiscal measures to control consumer demand, legislative requirements pertaining to product durability, extension of the consumer ethic by for instance warranty requirements, extension of recycling, recovery and substitution programmes, R and D programmes geared to ecological costings and restrictions of certain innovatory trends. It is also quite probable that governments will not take onesided action and will discuss possible action with the other parties concerned.

It is not difficult to see that policy makers are and will be somewhat trapped. On the one hand they are presented with an unproven spectrum of resource analyses and on the other hand subjected to a competing range of immediate pressures such as considerations of employment, industrial investment, temporary market fluctuations etc.

It is therefore not surprising to see a lack of any observable coherent philosophy regarding resource utilisation, energy policy and industrial production philosophy from

most, if not all, central government authorities.

Governments do, however, have several instruments at their disposal to influence the direction of production, such as properly exercising the government demand mechanism, formulating legislation and by working through the so called infrastructure, meaning in this context the R and D organizations and the Universities.

Let me spend a few words on government demand: the scale of public sector markets which include central government, local government and government agencies, for products of technological content is very large indeed, probably between a quarter and half of total demand.

Those responsible for procurement in the public sector are often largely or completely unaware, and by the budgetting system even forced to remain so, of their strategic significance in this whole innovation process in the broad sense. It may be interesting that this week the Dutch government accepted a suggestion from Parliament that the position of the Dutch State Purchasing Agency (R. I. B.) should be reconsidered in this context.

The use of public procurement overlaps in many ways with the use of government regulations since both have the effect of strengthening demand for specific types of new products and processes.

The role that the independent R and D organizations can play to clarify possible action is very large indeed but it should be realized that their activities have to be multidisciplinary in most cases in nature and must be performed in conjunction with policy analysis studies in order to ensure effectiveness.

Examples in this respect are the solar energy R and D programs in some countries, that are accompanied by parallel policy-analysis studies on problems and potential government measures to promote the introduction of solar devices.

Practically all subject parties are convinced that in view of the new economic context, government ought to play an important role within the triangle producer, consumer and government. It can be stated that technology, the often over-important factor in production has been largely developed by industry and that the consequences of production are now more and more influencing both the interest of the individual consumer - and public interests. Governments, guarding public interest, will, however, find it difficult to perform a controlling function because of the differences in the optimization criteria of the several levels of interest.

In order to focus creativity and inventivity on the new societal priorities, cooperation of the several interest groups is essential. In many respects the industrialized countries are on their way from a pure market economy towards an oriented market economy, as Mr. Lubbers formulated it yesterday, thereby causing that the spheres of interest of the producer, the consumer and of government come to overlap more and more.

Since technology is such an important factor in the current societal problems common to all three parties, it is within this context that the independent research organizations can play an increasingly important role towards the producer, the consumer and government. Each of these parties should play his own role and thereby not endanger the justified influence of the others. It is therefore that independence of the R and D organizations, working on behalf of all three parties is so essential.

PANEL DISCUSSION

Panel

E. Q. Daddario  
Prof. Dr. J. M. Dirken  
R. E. Fenney  
Dr. H. C. Ficker  
S. Heurgren  
A. Heijn  
H. F. van den Hoven  
W. Kok  
Prof. Dr. W. van Rijckeghem, chairman  
Prof. B. C. L. Weedon  
W. C. L. Zegveld

(Van Rijckeghem) Ladies and gentlemen, before starting the panel discussion, I would like, as representative of the international consumer movement, to take advantage of the opportunity to congratulate TNO on the choice of their Conference theme this year. May I even point out the very subtle way in which the title of the Conference was phrased? If you look carefully, you will see that we talked about consumers' interests and manufacturing considerations, and not about manufacturing interests and consumers' considerations, as the situation is looked at all too often by producers in real life. As Dr. Stuyt has so rightly said in his opening address, technology must never be a goal in itself but an instrument to improve the living conditions of the population, be it in the areas of energy, environment, food or health. Consumers' organizations are moving steadily to these areas of public concern and they will turn increasingly to the expertise that TNO has accumulated in these fields and that TNO has put at their disposal already in the past. I therefore look forward to further co-operation and collaboration between TNO and the consumers' movement, not only here but also in the Third World where, as I know, TNO is increasingly involved and where after all - as we should never forget - the most serious consumer problems exist.

But let us return to the panel discussion, for time is short. The 75 minutes we have, will not be enough to answer all the questions that have been put to us. So we have made a selection, and I have tried to present the questions we decided to answer in a certain pattern. However, many of the questions came in at the last moment, and I cannot guarantee that I have succeeded in that. I have also asked the members of the panel to be as brief as possible in their answers, and I hope they will forgive me for that.

The first question is addressed to the panel as a whole and refers to something Dr. Stuyt has said in his opening address.

"Dr. Stuyt said that safety, durability and reliability are suffering to an increasing extent, because of the remoteness of industry from the consumer. Does the panel agree? If so, is this relative or absolute?" As TNO is represented in the panel by Mr. Zegveld, I would like to ask him to try to answer this question.

(Zegveld) Thank you, Mr. Chairman. This morning Mr. Fenney paid a lot of attention to the problem of the distance between consumers and producers, especially with respect to safety, durability and reliability. He admitted that, at least in the field of electric household appliances, there is a distance between consumers and producers, but he pointed out that the industry had recognised the problem and was taking measures to diminish that distance. I think that this is true not only in the electrical appliances' industry. This should be seen, of course, as a comment upon the remark made by Dr. Stuyt yesterday morning. As to whether this is absolute or relative, I think it is more on the absolute side, although in certain instances it could be on the relative side. Thank you.

(Van Rijckeghem) There is a question to Mr. Daddario: "Mr. Fenney mentioned the success of the energy-saving campaign in England. According to the newspapers President Carter has suggested measures aiming at energy saving that up till now do not seem to be very successful. Could Mr. Daddario give his comment?"

(Daddario) I think that the reference to the apparent lack of success of President Carter - which is in this question - may really relate to our increased dependence on the import of energy, especially oil. May I point out that it will take a couple of years before we can start to reverse that trend and that, therefore, it is premature to speak of success or lack of success. We are actively investigating coal, new sources of energy, and methods for extracting more oil from existing oil fields. But it will take time before that takes effect.

The basic question comes down to energy savings, and I would like to touch upon that for a moment. The programme for energy conservation in the US has been largely voluntary, but certain industries have already developed internal programmes for the reduction of energy consumption. For example heating of buildings takes up to 25% of all energy use in the US, and any reduction will have important effects. Many industries are trying to reduce the amount of energy used for heating and that campaign is beginning to have effect. On the side of the government, there are programmes that subsidize the use of solar energy in homes for space heating and heated tap water. And of course there is an important programme going on in the automobile industry as the producers are compelled by law to improve the mileage per gallon. In the R & D area, it has just been announced that there seems to have been an important breakthrough in the production of photo-voltaic cells that are used to trap solar energy. It seems that there may be other important improvements and that with mass production an economic price may even be reached. There are other government activities, but all have in common that it takes time before they take effect. So I think it is really too early to talk about their success or lack of success.

(Van Rijckeghem) As we are in the field of energy saving, I would like to ask Mr. Kok to answer the question: "Can you explain your statement that you expect very little from voluntary action in the case of energy labelling. Is it the voluntary action or the technical aspects you are referring to?"

(Kok) It is the voluntary action, because up till now voluntary actions have had very little effect and have met with almost no success. I can point at the liquidation of the Dutch Foundation for Informative Labelling. It failed because almost nobody was prepared to use the labels the Foundation proposed. This question comes from someone from the Philips Company, and I don't want to be personal, but Philips was a member of the Foundation and was even on the board of the Foundation, and to my knowledge Philips never used one label produced by the Foundation they sponsored.

(Van Rijckeghem) Several people are interested in the programme Mr. Daddario discussed yesterday for involving the public in the decisions about drilling for oil off the shores of New Jersey and Delaware. I will not read the three questions, but I do ask Mr. Daddario to answer them.

(Daddario) The questions are about the government allowing the drilling for oil and gas off the coast. It is asked whether this should be seen as a victory for the oil companies and whether or not the involvement of the public has caused unnecessary delays. Well, first of all, there is the assumption in one of these questions that this means a victory for the big oil companies, but I do not necessarily agree. There was a decision of the Court of Massachusetts prohibiting drilling for oil, and a decision of the Supreme Court in the USA which was opposite - and this is mentioned in one of the questions. The Court of Massachusetts took into consideration all elements. The ocean bed off Massachusetts consists of large sandbars mostly, which are shifting continuously, and the Court thought, after deliberating on all evidence, that it would be inadvisable to allow drilling for oil in these circumstances with present technologies. Off the coast

of New Jersey and Delaware the situation is wholly different. There are no shifting sands - most of the bottom seems to be rocky - and the difficulties of drilling there are understood and controllable. In these two court decisions, the interests of the public have been taken, I think, into full consideration.

The other two questions are about the participation of the public. As I said in my paper, involvement of the people was important. I tried to point out that by involving the public in that area, the opportunity to take an objective position was increased. What finally came out, was that the public was not strongly for or strongly against, but that it would be favourable to the nation as a whole. What was wiped out, however, were the irresponsible suggestions and statements about far more jobs and far more trade. The public now understands that there will be some improvement in the job situation and the trade situation, but irresponsible statements and suggestions about these matters have been killed - forever I hope. And the public understands that the development of off-shore oil and gas fields is in the interests of the country. There has been far less acrimony in the discussions.

Another important result is that the public has seen that local government can have a say, and this is something they did not feel before. They have seen that the Department of the Interior, which is responsible for the off-shore regions, has been forced to restructure its office to deal with this matter, and they have seen that their communications with local government have had its effect on federal government.

In this respect, may I point out that the United States Congress argued over the lease arrangements to the oil companies and these arrangements have been changed? Payments to the government - the continental shelf is government property - have been increased and the government involves itself with production. Oil companies can no longer sit on proven off-shore oil fields until their value has risen, but are expected to drill and produce within an predictable period. I think this is a tremendous improvement and I think it has come about as a result of consulting the public.

(Van Rijckeghem) Thank you. The next question is directed to Mr. Fenney and it comes from Mr. Holloway, representing the UK Consumers Association. I will read it: "Mr. Fenney claims that professional consumer bodies make unsubstantiated statements on highly emotive matters. He says that these produce costly changes which don't improve safety, but rather reduce performance and convenience and which are not what the consumers wants. Would Mr. Fenney please substantiate this statement?"

(Fenney) I am rather surprised that Mr. Holloway asked this question as it is one that has been discussed in the UK many times. I can point him to one particular case, probably the most clear example of this particular situation, and that was the modification to spindryers to incorporate an internal lock on the lift. It was based on a small number of accidents that had happened, and they were serious accidents involving young children which were maimed for life. But when we carried out a rational investigation of the accidents, we found that only a small number of machines was involved. By carrying our investigations further, we discovered that we could not find out the name of the maker of the machines, we could not find out any information as to whether the machines had been build to comply with any standard whatsoever, we could not find out whether the machine had been approved by a National Approval Body, and we could not find out whether the machines had been serviced by the original manufacturer or anybody else. And remember that the number of accidents was quite small, about ten I think. Still, it was decided that every spindryer should have an internal lock, and the specifications were altered accordingly. The manufacturers had to take retrospective action on their existing stocks of machines in order to comply with the new standards. This exercise did cost British industry two and a half million pounds. Obviously this cost was not borne by industry, it had to be passed on to the consumer, as is always the case in these things. Now we get complaints that the busy housewife has to wait for the drum to stop revolving before she can get into the machine to take the clothes out. Certainly we seem to have build in an inconvenience factor. There are other examples, but time is short and I don't intend to go further into it. But when Mr. Holloway is back in the UK and wants more information, I will certainly advise him.

(Van Rijckegehem) There is another question directed to Mr. Fenney. It is from Philips: "In the UK nowadays a big rumour is going on, on the average lamp-life (electric bulbs). Could you explain the dialogue between Industry, Government and the Consumer on this particular subject?"

(Fenney) Well, first of all, it is not a rumour, it is a fact. There is a dialogue going on. It is one fortunately or unfortunately that I am not connected with. But I think it was started by a private citizen in the UK, making a complaint to his local Member of Parliament and questions were asked in the House of Commons. A Committee was set up to investigate the accusation made by the person concerned. I understand that the Committee has met and that each of the various manufacturing organizations concerned with the production of electric bulbs, has been invited to attend and state their case, as well as government officials and representatives from consumer organizations. That is all I know, but I would advise the gentleman who asked the question, to go to his own organization, as that can give him far more information than I ever could.

(Van Rijckegehem) The next question goes to Mr. Van den Hoven. It is from Mr. De Wasch of the Belgian Verbruikers Unie. "We have heard from Mr. Van den Hoven that industry takes great care to produce products which give maximum satisfaction to the consumer. He quoted Becel, a diet-margarine with excellent composition. We agree with this. We regret however that the packaging is not up to the same standard. It is made of polystyrene, a plastic with a behaviour similar to PVC. There are residues of monomers, which migrate to food. This we have found during our last comparative test. We have written to Unilever asking for a change in packaging. So far we have received no positive answer. How can Mr. Van den Hoven justify the attitude of the industry in this case?"

(Van den Hoven) Well, I am extremely happy with the positive statement about Becel, because you will agree that the contents are more important than the packaging. I could kill the question about polystyrene easily, as I happen to know that we don't use it, we use polypropylene for both the cup and the lid. But if we used polystyrene or PVC, we would give a categorical assurance that any migration that might take place into food, is so infinitely small as not to constitute a danger to health. We are convinced of that. And I want to point out that in this particular area of packaging and migration to food there is close collaboration between government bodies, other bodies and our own research teams. Lastly, you stated that you did not get an answer from Unilever. Well, you are talking to the right man, and I'll see to it that you will get a proper one.

(Van Rijckegehem) Is Mr. De Wasch satisfied with this answer ?

(De Wasch) No, I'm not. It may be true that in Holland polypropylene is used, but in Belgium it is polystyrene. We tested the package, we found it was polystyrene and we found that residues of monomer had migrated to the contents.

(Van den Hoven) Well, I accept that immediately, of course. It just shows that I don't know how we are packaging all our products. I can only repeat what I have said just now, that any migration, if it has taken place, does not constitute a danger to health, and I would like to add that this is checked not only by us, but independently by the government also.

(Van Rijckegehem) There is another question for Mr. Van den Hoven. It is rather long and I will not read it. It is about the difficulty of obtaining information from industry about the contents of the products they are selling. It does not refer specifically to any product of your company, but maybe you would still like to answer it.

(Van den Hoven) Yes, it is about the difficulty of obtaining information from industry about the content of products and it is said that European producers do not want to declare which aerosolsprays contain chlorofluoromethanes. I am not aware that such

a request has been made, but I must assume that it has been done. In such a situation, I think that the producers would certainly wish to discuss it with consumer organizations. Would such a declaration be useful, would it really inform the public? Questions like these should be discussed with the consumer organizations. After the initial publication about the influence of chlorofluoromethanes on the ozone layer, a lot of research has been carried out, and I gather that today there is great uncertainty about what is really happening. That should be taken into account also. But don't think that the industry has been sitting still. There are numerous products coming onto the market using different gases and even small pumps.

(Van Rijckeghem) Thank you. The next two questions are for Mr. Heijn. The first is: "You showed the information system from your company. Do you have a check on the objectives and do you know how the public is using the information?"

(Heijn) It is really too early to say something about this, we have not been using the system long enough. We are introducing the new packages in our supermarkets, but we are not doing this at a fast pace. We are waiting for the end of discussion between, let us say, science, the industry and the retailers about the introduction of a national, and preferably, an international system. In one of my slides this morning, I showed that there is great interest in the United States in our system, and it would be much nicer to have an international system that is understood everywhere, than a typical Dutch system. But I fear that this is background information and not an answer to the question.

(Van Rijckeghem) The next is: "What authority and responsibilities must be entrusted to the quality control department of a retail organization?"

(Heijn) That depends on what type of retail organization you are talking about. In our case we have our own quality control department, we do check on certain items, especially when we have a private label. But in other cases, where we have private labels also, we rely fully on the quality control department of the supplier and we just do spot-checks randomly. I am happy to say that the Dutch 'Keuringsdienst van Waren', the Control Department of the Food and Drug Administration, very frequently checks our products, and as a result the quality of food sold in the Netherlands, is pretty good.

(Van Rijckeghem) Thank you. There are a number of questions for Professor Dirken. Two are rather similar and concern product development or product innovation. The first is: "How do you think the feed-back of consumer research into production can be organized, taking into account that someone has to take the initiative for product innovation?" and the second is: "Even if consumer organizations can match the professionalism of the producers, what additional input do you think consumer organizations can have in product development?"

(Dirken) The first question is about the organization of feed-back from consumer research to production. Well, I think that it is being done already. Producers do read consumers' magazines and they are very sensitive to the results of research published there. There is another channel of feed-back. Quite often the results of tests are discussed between the producers and the testing organizations, the consumers' organizations, before publication. But if the question is also a suggestion, then I'll agree that this could be elaborated and perhaps institutionalized more. The other question points out that the producer has a whole array of methods and techniques he can use when developing a product. The question mentions function analysis, in-house testing, consumer panels, field testing and analysis of service calls, and I can add a few others that in my opinion are just as indispensable. The question then is what additional input in product development consumers' organizations can have. I agree that, if a producer used consistently all the methods and techniques appropriate to the development of a product, then perhaps comparative testing and consumer re-

search would be superfluous. But I deny simply that most products are developed in such a comprehensive way. Time and time again we have seen that a product was developed in an incomplete way, sometimes without a clear idea of possible end uses and so on. Then we need consumers' organizations who by their testing and publications watch over the quality of products put on the market, and by their criticisms have an important input in product development.

(Van Rijckeghem) The two previous questions came from Philips, and so comes this one. Clearly, they want to put you to the test. It says: "An often heard criticism of organizations as yours is that it consists of a minority which pretends to speak on behalf of the consumer. But the attitude of the consumer is different. Could you give your comment on this, in my view negative, attitude, which in fact says: One who does not complain is satisfied with the way things are." In reading it aloud, I get the impression that in reality there are two questions welded into one.

(Dirken) Yes, there are two separate questions, I think. The first is about the actual representative nature of consumers' organizations, and I am not going to deny that it is a problematic one. In my paper I showed that the penetration of consumer magazines, or membership, varies between 5 and 10 per cent. in the North Atlantic countries. This is a considerable part of the population, but it is not the majority. Also, I stated in my paper, that to reach other parts of the population, we should try to use other media than the printed word, such as TV, cable TV and so on. The other point is that, as far as I know, consumers' organizations do not just pretend to speak in the name of the consumer, they try to do this in a fundamental way. It is obvious that some expertise on what different groups of consumers want, is being accumulated by these organizations. Every year the bureau's of consumers' organizations receive thousands and thousands of telephone calls, letters and complaints. If you compare these numbers with the samples used in marketing, it is clear that consumers' organizations really do know something of the wants and wishes of consumers. The second part of the question is about 'one who does not complain is satisfied with the way things are' and I am happy to note that in the question this is seen as something negative. We know that many people are dissatisfied with goods or services, but that they don't have the skill or the knowledge how and where to protest. This is very fundamental. If consumers are quiet, it does not mean that the product is a success. It may be in an economic way, but it need not be in a functional way. For instance, we know that large groups of physically handicapped people who are dependent on all kinds of adjusted products, are in general very dissatisfied with the way these products function, but they don't have the courage, or the skill or both, to protest. I think that the statement 'one who doesn't complain, is satisfied with the way things are' is untrue and that the marketeers in the audience know this.

(Van Rijckeghem) Thank you. The next batch of questions is addressed to Mr. Kok. The first read as follows: "Can you explain in more detail the - in my opinion - idealistic role you are claiming? Primarily you are responsible for the relationship labour-capital, and now you are claiming to represent the consumers' interest".

(Kok) Luckily I'm not responsible for the relationship labour-capital, but I understand perfectly what is meant. After having answered the question, I hope it will be clear that we are not claiming an idealistic role, but a realistic one. Trade union members - and here I am speaking of the Dutch situation - are not prepared to be interested only in the development of their private incomes, how important this may be. They think that their welfare and wellbeing are influenced not only by their private incomes, but also by the whole framework of collective goods: social security, premiums and taxes that have to be paid. A second point is that our members are not prepared to be interested only into problems related to their being an employee in a factory or in an office. They are full-blooded citizens who are also consumers, who as citizens are confronted with environmental problems and so on. We are indeed interested in the relationship between labour and capital and in how to effect improvements there, but on



behalf of our members we are interested in quite a number of other questions in society. For the trade union movement this is a challenge.

Before I start answering the second part of the question, let me point out that we do not claim to represent The Consumer with a capital T and C, we don't claim to be the only organization that can represent the consumer. But in our position we think it necessary to participate in one of the consumer organizations in the Netherlands, and I gave you the reason for that decision in my paper. We cannot accept to be denied access to the field of consumers' interests, because from our point of view there are so many conflicting issues, for instance between environmental effects and employment policy.

Professor Dirken gave a number of examples in his paper, and one was whether shops should be open on one evening every week. Clearly, here the ideas of the trade union movement and the ideas of the consumer organizations clash. In the trade union movement we have had a very tough discussion about priorities. This has been, I think, very good. Employees in factories, and their families of course, should not only see the convenience of being able to buy things an evening a week, they should realise also that this has consequences for the employees in the shops. As there are so many points of conflict that have to be decided in a practical way, our role cannot be called idealistic, but really is a realistic one.

(Van Rijckeghem) This is the ideal opportunity to start a dialogue between you and your neighbour in the panel. Professor Dirken, would you like to comment at this stage, or rather later on?

(Dirken) I'll do it now. Yes, there is a point of disagreement between my left neighbour and me, and from his point of view I am to the right. I think that the protection of the consumer is being recognized generally now as a separate aspect of government policy. It does not contribute to the transparency of our democracy when a confusion of roles takes place too early in the decision process. Commerce and industry, and government, have never neglected the interests of the consumer entirely, and I will be the last to deny that the labour unions have done and are doing much in this field, but in my opinion, we have now reached a stage in social development where the core, and I emphasize the core, of consumer activities should be kept explicitly in a separate organization, or a combination of organizations, and should be seen as a separate aspect of government policy. Comparative testing, giving information on goods and services, standardization, consumer legislation and consumer education, should never be confused and mixed with the defence of employment, wages and so on. It should be clear to the citizen that each of these issues has an army of its own behind it, so to speak. Actually it looks like a kind of product diversification and spreading of risks by the trade union movement - and Mr. Kok has given me this impression to some degree - if it would claim in the future to be the main defender of consumers' interests. In my opinion the labour unions have another task, and a policy of defending the consumer too may seriously interfere with their main task.

I don't mean to say the trade unions cannot support consumers' organizations in their own field, and I don't want to say that a national consumption policy does not belong to the province of the labour unions, especially when it touches the distribution of income, the guidance of production and consumption, and global problems such as energy and the environment. And I think that in the decision process about these issues, consumers' organizations can only play a minor role, although their voice should be heard and their ideas should be able to influence the ultimate decision. In my opinion there are in our economic system in our society, four different points of view: that of employers, of employees, of consumers and of the government, as an umbrella over the other three. Our society needs negotiation, co-ordination and mutual support between these four points of view. Only in this way the transparency and clarity of our democracy can be maintained.

(Van Rijckeghem) Unfortunately we don't have time to extend the dialogue much longer. There are still some other questions to Mr. Kok, and maybe, while answering these, he can also try to answer Professor Dirken.

The first question comes from Shell and shows some fear of the power of the trade unions. It says: "In our modern West-European society the trade unions and their federations have gathered great power already. Consumer aspects are indeed a factor of personal interest to trade union members. However, if this were to lead to trade unions seeking to defend the consumers' interests as well, the unions may acquire a power which is uncontrollable by society. Do you believe that this should happen in a democracy?"

(Kok) I'm glad that the representative of Shell also has something against uncontrollable power in a democratic society. In this respect we are in complete agreement. But to come to the point, I could give the easy answer and say that the trade union movement is controlled democratically by the membership, and I could say that we play an open role in society. Within and by the trade union movement very little is done which is not supported or criticised openly by public opinion. But the main point - and this is a link with the remarks of Professor Dirken - is that the trade union movement has a mixed task, I could better say that they have still another task. I am sorry, but we decided among ourselves that we have this mixed task, that we should not be active only in the field of incomes and employment, but that we should also take into account the consumer side. The question suggests that this may be damaging democratic control of society and its problems. Let me state quite clearly that I do not understand this point of view. In safeguarding the consumers' interests we work through one of the Dutch consumers' organizations, which is completely independent. If this consumers' organization arrives at a conclusion, for example by comparative testing aerosol cans, that the product is not up to standard, this could have important consequences for the employment situation in the Dutch metal industry. But we do not go to the Metal Workers' Union saying that we have some adverse testing results that could influence the employment situation in their branch of industry and seeking advice on the best way of changing or manipulating these test results. That would be against an open and democratic approach. My view is that we are indeed trying to bring consumer aspects and consumer interests into our policy, but that this has nothing to do with damaging the democratic control process.

(Van Rijckeghem) There is a last question to Mr. Kok. "You defend the right of the labour movement to participate in the formulation of a consumers' policy. How would you react if the consumer movement demanded to participate in the formulation of an employment policy?"

(Kok) Well, consumer organizations do influence employment, and in my view it is impossible to avoid that. By their reports, consumers' organizations, directly or indirectly, visibly or invisibly, are causing modifications and changes. Consumers' organizations are already influencing employment, and in some cases the pattern of life. So my answer to the question is that these organizations are indeed influencing employment and spending patterns, and that I don't have anything against that.

(Van Rijckeghem) I think that all this may be a basis for discussions in the future. However, we should go on, and Dr. Ficker has a large number of questions, which I will not read to the audience. I think that he would like to answer all the questions together.

(Ficker) Thank you, I'll try to do so. I'll be brief, as I do not want to turn this Conference into a Conference on product liability.  
First question: "Will a manufacturer also be held liable for a defective product when such a defect is very unlikely to occur and could only be detected by means of very advanced techniques which can only be applied on a laboratory basis and not in mass-production?" The answer is a clear 'yes', because this is exactly what the draft directive is providing for.  
Second: "Will compliance with internationally accepted standards be sufficient so as to prove according to Article 5 that an appliance was not defective when put into circula-

tion?" The answer is: No. Standards only provide a minimum for design, and neither the State nor the private institutions take over the liability when laying down standards. The producer, and in some cases the dealer, is liable.

Third question: "Would a pharmacist who replaces the original manufacturers' packaging by his own box and label with the pharmacy's label on it, be termed a 'producer' in the sense of Article 2 of the Draft Directive?" If he presents himself as the producer, the answer is: Yes. If he does not present himself as the producer, but only as the dealer, he will not be held liable in most cases. The draft directive excludes the dealer, but when the producer cannot be named or cannot be found at all, the dealer is liable. Dealers should be able to name their producers. If a producer or a dealer should take advantage of low-wage countries and decides to produce there, then the customer with a complaint should not be directed to such a country to try and find the producer.

The next question is to which extent the producer will be held liable when users repair a product or when a product is repaired by unskilled labour. In that case there is no liability on the side of the producer, I think. The producer can expect that his products are serviced either by his own employees or by a servicing organization that has been well instructed in servicing the product. If servicing is done by someone without qualifications, there is in my opinion no liability.

The next question is more general: "It has been stated that insurance premiums for 'product liability' in the EC would be around 0.7 to 0.9 per thousand. Has there been established a long-term forecast for this premium, which might, in the long run, become a burden as far as prices are concerned?" The answer is negative, these premiums reflect the present situation. We have not tried to forecast future trends as this depends on too many uncertain factors.

The last question is the most general. "Would the speaker give his view on the prospects of the Product Liability directive being adopted in the near future? What are the obstacles to its acceptance?" The only thing that I can say is that I have not any precise idea. We have asked the Economic and Social Committee and the European Parliament for their advice. The former will consider the Draft Directive very soon. The European Parliament will discuss it in a plenary session which may be held in the near future. After that, work in the Council starts. There we need unanimous decisions, so we will have to find compromises, not only between consumers and industry, but also between the nine member states. France, Belgium and Luxemburg will argue that the directive does not go far enough; for these countries it will be a step backwards. In Great Britain the Law Commission says that Westminster should enact a law about personal injuries which introduces strict liability in this field and puts no limitations on the indemnification. Italy will be against the Directive probably, either because it goes too far or because it does not go far enough. That depends on the political situation. And in this country, the former Cabinet would have been more in favour of the directive than the present is. I cannot make any real prediction.

(Van Rijkeghem) Thank you. There have been many questions addressed to Professor Weedon. I will not read them, but would Professor Weedon try to answer as many as possible?

(Weedon) The questions deal with entirely different parts of my paper, so I will have to indicate what they are about.

The first asks why we allow any additives in beer, as some brewers can do without them. As I pointed out in my paper, traditionally beer is brewed on a small scale for local consumption within a short time. This is still done in many places, and presumably also in the breweries which are mentioned in the question. Brewing is a very complex process involving many stages, and brewers have utilized for a long time certain substances which are not always called additives, but processing aids. These are fairly commonly used, even in the traditional process. Examples are the addition of yeast nutrients, or salts to adjust the mineral content of the water, and aids to deal with seasonal variations in the cereals. Quite a number of other aids are used, and the reason is that brewers and consumers are very jealous of the individual characteristics of different brews. To a large extent this depends on fine differences in the way in

which the product is produced and the processing aids which are utilized. As I pointed out in my paper, a change has taken place recently in a number of countries, including my own. Beer is often produced in bulk in large installations and this means that it has to be transported. Furthermore, it is often retailed in cans containing large quantities. For preservation, many brewers rely on pasteurization, but this is not entirely satisfactory, as it can lead to off-flavours. Therefore, some countries allow the use of preservatives as an alternative to pasteurization.

The next question is quite short: "What do you think about the Delaney Act in the USA?" It is actually a clause, not an Act. It is an important feature of American food law and one that does not exist, as far as I am aware, in quite that form elsewhere. It requires the banning of any substance which is shown to produce cancer in animals, no matter how the substance is administered and no matter in what quantity. It allows no room for judgment by appropriate experts of the significance of the results for human health. Personally, I think it is preferable to have an opportunity to take all relevant factors into consideration, and this is what is done in most countries.

The next question relates to the use of colours in foodstuffs: when are they acceptable and when not. I said yesterday that the appearance of food is very important in determining its consumer acceptability. The pleasure we all derive - most of us at any rate - from eating food is rather closely linked with the appearance as well as the taste. Now the question says: "Why colour green peas green, there is no point in that?" Of course, I agree. However, I think you have to consider another possibility when the processing of the food has destroyed some of or all of the natural colour, but has not adversely affected the nutritional quality of the food, merely its appearance. The customers want the food coloured, and so the supplier has to colour it. Is this acceptable? I think it is, provided the nutritional quality of the food is not affected, and provided, of course, that the colour has been very carefully tested and its use represents no hazard to health; and I would add, provided the product is labelled, so that the customer knows that a permitted colour has been used.

The next question deals with sulphur-dioxide, but I do not understand it fully. It says that an acceptable daily intake, an ADI, has been set for sulphur-dioxide. It is, therefore, important that national authorities should consider very carefully which foods should be allowed to contain sulphur-dioxide, so that they can be sure that the consumption by people in their country does not exceed the ADI. There is a very good reason for this. It has been known for a long time that sulphur-dioxide destroys vitamin B<sub>1</sub>, so you have to be careful that not too much vitamin B<sub>1</sub> is destroyed. The questioner is obviously a bit worried that some wines contain appreciable amounts of this preservative, and that it is not required to declare its presence on the label. I am not going to discuss this further, because personally I would favour labelling of all commodities to show that a preservative has been added.

The last question again relates to ADI's and points out that they are related to single chemicals. The effects of a combination of chemicals cannot always be considered separately. In cases like this it may be necessary to have a global limit imposed on categories of substances. An example is the colours which are converted in the body into vitamin A. People do not wish too much vitamin A introduced in this way. Therefore, as well as setting individual ADI's for the precursors of vitamin A, there is also a global limit for all of them that come within that particular category.

But I would point out here that you should never confuse the ADI with the level of use; we would always try to ensure that consumption is well below the ADI. We want to keep within that limit, and, therefore, some degree of additivity is easily accommodated within that margin.

The question also raises the point about the interaction of additives. Again this must be considered carefully, because additives are often used in combination. Of course, we could go beyond the point raised by the questioner. I mean that we would have to consider the possible interaction with drugs that some people might be consuming at the same time. These are important issues, and in one of the bodies with which I am connected, it is often said that there is a need for more testing of combinations of additives. Some of this has been done, but there is a need for a good deal more.

(Van Rijckeghem) Thank you very much. Mr. Heurgren also received a number of questions. With an eye on the clock I will give him the latitude to decide which ones he will answer.

(Heurgren) The first one is: "The Swedish Ombudsman has the power to prohibit the marketing of defective products and products which may cause harm to health. Does the Ombudsman also have the obligation to do this consistently? If so, what steps have been or are being taken or considered in connection with products being suspect of causing harm to a large number of people, such as for example: alcoholic beverages, tobacco wares and motorcars?"

The Ombudsman is not obliged to act consistently. Dangerous products such as alcohol, tobacco and motorcars are accepted by the Swedish public and the Consumer Ombudsman cannot stop them. But when you want to advertise these products in Sweden, you have to be careful. It is not allowed to say in an advertisement, for example 'Our alcohol is the best for your stomach' or 'Get the feeling of power by driving our car at 200 km an hour', the last because the speed for cars is limited to 110 km an hour in Sweden. Advertisements like these are not allowed.

The next question runs: "There is a discussion whether one should opt for legislation or for voluntary codes of practices laid down by trade associations. An example is the legislation for after-sales service in Sweden. Don't you think that there are fields in consumer protection, in which more effective results can be obtained for the consumer by the way of codes of practice?"

No, the Swedish legislators think that codes of practice laid down by trade associations are not enough. The voice of the consumer should be heard when these codes are drawn up. But please remember that negotiation is the normal way to get results in the Swedish system. So the Consumer Ombudsman often discusses questions of good practice with trade associations, and in many cases we can come to an agreement that is also acceptable to the consumer. But sometimes this is impossible. Then the Consumer Ombudsman brings a case before the Market Court to give the Court the opportunity to decide on the matter. The decision of the Court then has to be accepted and followed by all firms in that field of activity. We have found, however, that negotiation is the most flexible way to achieve results, and that it is more flexible than special legislation. But even in Sweden, special legislation is unavoidable in some cases. Mr. Chairman, with an eye on the clock, I would like to leave it at that.

(Van Rijckeghem) Thank you, Mr. Heurgren. The last speaker who has a question is Mr. Zegveld of the host organization. But as it is time to conclude the panel discussion, and as I understand that the question has been put to him by a countryman, I dare to suggest that he would answer that question in private. Do you have anything against that, Mr. Zegveld?

(Zegveld) No, Mr. Chairman, I will do so gladly.

(Van Rijckeghem) Then we should bring the panel discussion to a close. I promised the chairman of the Conference, Professor Van der Kerk, to finish at three o'clock, and then I did not know how to achieve it. But somehow we seem to have achieved it. First of all I thank the members of the panel for their contribution, and, second, I thank the members of the audience for posing so many good and interesting questions. I think it is a pity that we did not have time to answer all of them. Thank you.

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Contents

Dr. L. B. J. Stuyt

Opening address

E. Q. Daddario

The Private and Public Sectors - Improving Communications

R. F. M. Lubbers

Harmony and Conflict of Interests between Producer and Consumer

H. F. van den Hoven

The Role of Industry

W. Kok

The Responsibility of the Trade Union Movement in the Field of the Consumer Policy

Professor Dr. J. M. Dirken

The Role of Consumers Organizations in Europe - Past and Future

Dr. H. C. Ficker

The Role of the European Communities with regard to Product Liability

Professor Dr. B. C. L. Weedon

Food Additives - Technological Need and the Consumer Interest

S. Heurgren

Tasks of an Ombudsman - Possibilities and Limitations

A. Heijn

The Retail Trade, the Indispensable Link between Producers and Consumers

R. E. Fenney

Industrial Policy towards Consumerism in relation to Electrical Household Appliances

W. C. L. Zegveld

The Role of an Independent Research Organization

Panel Discussion