

EUROPEAN CENTRAL BANK

OPINION OF THE EUROPEAN CENTRAL BANK

of 24 August 1999

at the request of the Council of the European Union on a proposal for a Council Regulation (EC) laying down detailed rules for the implementation of Council Regulation (EC) No 2494/95 as regards minimum standards for the treatment of products in the health, education and social protection sectors in the Harmonised Index of Consumer Prices

(CON/99/11)

(1999/C 324/07)

1. On 13 August 1999 the European Central Bank (ECB) received a request from the Council of the European Union for an ECB opinion on a proposal for a Council Regulation (EC) on the abovementioned topic (hereinafter referred to as the 'draft Regulation').
2. The ECB's competence to deliver an opinion is based on Article 105(4) of the Treaty establishing the European Community and Article 5(3) of Council Regulation (EC) No 2494/95 of 23 October 1995 concerning harmonised indices of consumer prices. In accordance with Article 17.5, first sentence of the Rules of Procedure of the European Central Bank, this ECB opinion has been adopted by the Governing Council of the ECB.
3. The objective of the draft Regulation is to define the methodological details for the inclusion of products in the health, education and social protection sectors and the timetable for the inclusion of certain items (in particular hospital services, social protection services and retirement homes).
4. The reason for proposing the adoption of the draft Regulation lies in Commission Regulation (EC) No 1749/96 as amended by Council Regulation (EC) No 1687/98. According to this latter Regulation, coverage of the Harmonised Index of Consumer Prices (HICP) is to be extended in the health, education and social protection sectors and the major part of the extension is to be implemented in December 1999. The Regulation also states that the methodological details of inclusion should be specified in accordance with the procedure laid down in Article 14 of the framework Regulation (EC) No 2494/95. In its opinion of 14 July 1998 on the aforementioned Regulation (EC) No 1687/98, the ECB fully supported the extension of coverage. It supported the general concept of what should be covered by the HICP ('household final monetary consumption expenditure') and explained the reasons for this view.
5. Articles 2 and 3 of the draft Regulation provide details of the definition and coverage which are important for the extension of coverage. The ECB supports these. As regards the rules set out in Article 3(1), the ECB refers to its opinion submitted on 9 July 1999 on a draft Commission Regulation (EC) concerning the sub-indices of the HICP.
6. Article 4 contains the essential conceptual definition of price measurement of goods and services in the health, education and social protection sectors. The two main pillars are the implementation of the Laspeyres principle and the measurement of prices net of reimbursement. The ECB regards the proposals as consistent with the concept of household final monetary consumption expenditure.
7. With regard to Article 4.2(d), the ECB is aware that different options for the treatment of changes in purchase prices resulting from changes in purchasers' income ('income-dependent prices') can be justified within the concepts of the HICP. The ECB agrees with the proposal, which follows a full discussion which resulted in no alternative proposal finding general support.
8. The ECB strongly supports the proposed date for implementation, i.e. December 1999 (Article 9). This is essential for ensuring that the extension of coverage of the HICP which is scheduled for December 1999 according to Regulation (EC) No 1687/98 is implemented in a comparable manner. The comparability of the HICP is decisive for its credibility and for the use of the HICP by the ECB. The ECB therefore also proposes that the provision of Article 8(1) of the draft Regulation, which enables Member States to deviate from the rules of the Regulation under certain conditions, in connection with the provision of Article 7, which defines the comparability threshold, be clarified. Any departure from the Regulation affecting the HICP systematically by more than one-tenth of one percentage point (compared with the strict application of Articles 4 and 5 of the Regulation) should be ruled out by the Regulation.

9. As already stated in its opinion of 14 July 1998 on Regulation (EC) No 1687/98, the ECB would stress that the provision of sufficiently comparable back-data covering at least the year 1999 (and, in respect of the items listed in Article 9 which are to be implemented in December 2000, at least the year 2000) is highly desirable as supplementary information.

10. This ECB opinion will be published in the *Official Journal of the European Communities*.

Done at Frankfurt am Main on 24 August 1999.

The Vice-President of the ECB

C. NOYER
