

Prof. Dr. Karl Kollmann:

BAK (Bundesarbeitskammer)

Austrian Federal Chamber of Labour,

Consumer Policy Department



The Euro Changeover in Austria:

Consumer Policy Objectives in the
Preparations for the Transition
to the Euro in the Early 2000's
from a Consumer Perspective

The objectives were three-fold:

1. To have a suitable legal framework within which to introduce the Euro.
2. To provide consumers with comprehensive information on the changeover.
3. To conduct comprehensive market research (price hikes) and social research.

1. Introduction of the Euro in Austria within a legal framework – 1

- Initial considerations: In light of the experiences the British had with the decimalization of the Pound
 - A long dual-currency phase was seen as essential.
 - The British had difficulties with conversion even months after decimalization was introduced despite thorough preparation.
 - *The Euro was introduced in Austria within a legal framework created in two years of negotiations with the Social Partners.*

1. ... within a legal framework – 2

- Priority: A changeover that was predictable for and protective of consumers
 - A safe, smooth, calm transition for consumers for this, the most fundamental economic change since the end of World War II.
 - *Austria did not have the slow, stress-free dual circulation period the British did (because the EU shortened the transition period from six to two months).*

1. ... within a legal framework – 3

- Long transitional phase (dual price indication and dual currency)
 - Essential in light of the British experience and the French experience with the Franc.
 - The German conversion of (Eastgerman) GDR-Mark to DM provided an explicit framework.
 - *Was partially achieved but the three-month dual-currency indication stage prior to the introduction of physical coins and bank notes was too short.*
 - *The EU shortened the transition period from six to two months.*

1. ... within a legal framework – 4

- It would be desirable to have: equal standards in all Euro countries
 - At least in neighbouring countries
 - *Not achieved*

1. ... within a legal framework – 5

- Standardized dual price indication stipulated in law (from early on in the process)
 - Clear and standardized dual price indication
 - To avoid irritations in the perception of the new currency
 - *Achieved: Standardized price indication*

1. ... within a legal framework – 6

- Exact exchange of currency in all situations (in all transactions, business dealings, etc.)
 - Adequate information prior to conversion in respect of supply contracts or rents
 - *Was stipulated in law and worked quite well*

1. ... within a legal framework – 7

- Mandatory waiving of fees in currency exchange in the two transition months
 - In both directions
 - At banks, retail outlets and other businesses
 - *Was stipulated in law and worked quite well*
 - *Euro cash was not available before 1. 1. 2002 !
(beginning of transition)*

1. ... within a legal framework – 8

- Mandatory free choice of cash currency during the dual-currency phase
 - Consumers free to choose the currency they wish to use (Schilling or Euro)
 - Retailers also free to determine the currency they wish to use in giving change
 - *Was stipulated in law and worked quite well*
 - *Retailers usually opted to give change in Euros.*

1. ... within a legal framework – 9

- Schillings can be traded in for Euros at Austrian National Bank free of charge for all time
 - *Was stipulated in law and has worked quite well*

1. ... within a legal framework – 10

- Legally based measures against price increases
 - Exceptions: Price increases caused by outside factors, e.g. higher prices for fruits and vegetables due to a bad harvest
 - *This approach worked by and large.*
 - *Problems occurred in the restaurant trade and with local government fees and charges not covered by the law on Euro introduction (e.g. parking fees).*

1. ... within a legal framework – 11

- Establishment of a monitoring institution with an official character
 - *Was set down in law:*
Euro Price Commission, worked quite well

1. ... within a legal framework – 12

- Public reporting procedures
 - *Was stipulated in law and worked quite well*

1. ... within a legal framework – 13

- Official information measures regarding the Euro (by government and Austrian National (Central) Bank)
 - Also meant to empower consumers by providing them with economic knowledge
 - *The information was largely technical in nature.*
 - *Consumers made little use of it.*

2. Consumer information – 1

- Appropriate information geared to the specific consumer groups being targeted
 - Brochures prior to the changeover
 - *A variety of written information geared to the various target groups was available.*
 - *However, consumers made little use of it.*

2. Consumer information – 2

- Calculator cards (wallet-size)
 - *A number of different cards were available and were also used.*

2. Consumer information – 3

- Free telephone hotline before and during the introduction phase
 - Provided by the government and consumer organizations
 - *Consumers made good use of this service.*

2. Consumer information – 4

- Internet platform with bulletin board for consumers
 - *Was heavily used*

2. Consumer information – 5

- Publicizing “price sinners” (pillory approach)
 - Use of the Internet platform
 - *The Internet platform proved to be highly effective, also in terms of its media effect.*

3. Research – 1

- Comprehensive and repetitive (longitudinal) market research (price studies)
 - Conducted by consumer organizations and public agencies
 - *Were conducted and proved to be a good tool for protecting consumer interests*
 - *Very effective in the media*

3. Research – 2

- Broad and intensive socio-economic monitoring research before, during and after the changeover
 - *The research conducted in this regard was quite small in scope.*

3. Research – 3

- Quick link from research to government policies
 - For swift adjustments to information strategies
 - *Was not achieved as originally planned*

In retrospect, the biggest problems were:

- The EU's shortening of the dual-currency period from six to two months
- The approach taken to preparing the general public was not sufficiently pedagogical and instructive.
- Local government displayed a lack of price discipline.
 - *Local government was not covered in the law on the Euro introduction.*

Lasting consumer problems nearly 10 years after the transition:

- the Euro gave people a subjective feeling of prices being higher than that has persisted to the present day
„Everything has become much more expensive“
- Perceived value of money is less
 - an expensive short-cut in price perceptions
 - *10 Euro was and is about 100 Austrian Schilling*
 - *100 Euro was and is about 1000 Austrian Schilling*
(Exchange rate EUR 1 = 13,7603 ATS → EUR 100 ~ 1400 ATS)

Lasting consumer problems

- 2:

- Small coins (1, 2, 5 Cent) are treated as if they are worthless, like the old 10 Groschen coins
 - People fail to recognize that 5 Cents are almost 1 Austrian Schilling...
- no improvement in personal financial knowledge and know-how
- no improvement in expenditure planning

Lasting consumer problems

- 3:

- Five years after transition:
about 40 per cent use the value of the Austrian Schilling as a reference when purchasing, even when purchasing small items (food)
- today: 10 to 30 per cent of consumers use the old Austrian Schilling as a reference for infrequent acquisitions (recalculating with the old table of values (a car, a flat))