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## LABELS AND CONFORMITY MARKS IN A GLOBAL MARKETPLACE

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## **FOREWORD**

This report was prepared for release by the Secretariat and comprises the work of the Delegate from Sweden, Mr. Stig Hakansson, Swedish Consumer Agency -- Consumer Ombudsman, to address the responses to a questionnaire to the Member countries regarding existing labels and conformity marks and their role in the global marketplace. The report was declassified by the Committee on Consumer Policy at its meeting on 3-4 September 1998.

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## **LABELS AND CONFORMITY MARKS IN A GLOBAL MARKETPLACE**

### **1. INTRODUCTION**

#### ***1.1 Background***

The European Commission (EC) “New Approach Directives” were established with the aim of promoting free trade unhampered by technical barriers. The Directives envisioned that by harmonising standards and by using the CE marking system to indicate conformity with the Directives, the market would benefit from better and more simplified procedures. The CE mark would show that the essential safety requirements were met, and, in theory, with its use there would be no need for any further safety markings.

However, the actual development of marking systems within the European market has evolved differently. New conformity marking systems have emerged and, in many cases, they are related to areas covered by vertical Directives. Several factors have contributed to this development. First, the strong position of “notified bodies”, which as commercial enterprises, have a legitimate need to optimise turnover and profit. Second, is the need to demonstrate conformity with essential safety requirements in practice; a mark or label is the most visible confirmation of compliance with such requirements. And finally, one could claim a consumer information need for a marking system that indicates the level of performance from a safety perspective. This point is particularly valid during the transition period following the introduction of the CE marking system in Europe.

A number of requests for markings have also been received from the retail industry which today often represents a high degree of concentration and buying power and can request the demonstration of conformance with certain safety requirements. This may be of particular importance as safety and conformity marks are, in the eye of consumers, often also misinterpreted as an indication of quality. While these arguments have been developed with the European market in mind, some of them are certainly valid for other regions as well.

The paradox which could develop on this basis is that while being used as an expression of safety awareness and hence considered a positive development, the proliferation of certification schemes and product marking could, in the long run, lead to the creation of new barriers to trade and may include additional cost for trade and industry, and ultimately for consumers. Moreover, one might ask what safety and other marks actually mean to consumers and retailers.

The proliferation of safety marks should therefore be examined with the international trade dimension in mind. A basic survey of OECD Member countries could provide an overview of existing marks, their scope and usage. Following such a survey and an analysis backed by any national studies on the consumer understanding of the marks, the Committee on Consumer Policy should discuss possible measures to be suggested to act against the trade-restrictive effects of such measures.

## 2. ORGANISATION OF WORK AND OBJECTIVES

### 2.1 *Decision of the Committee on Consumer Policy*

At its meeting on 2 October 1996, as a follow-up to the OECD report "Consumer Product Safety Standards and Conformity Assessment -- Issues in a Global Marketplace," the Committee on Consumer Policy decided to undertake a survey on labels and conformity marks and their role in the global marketplace. The Committee also decided that the initial study should only cover the product groups dealt with in the above report, i.e. *toys, bicycle helmets, power lawn mowers and microwave ovens*.

### 2.2 *The Questionnaire*

The questionnaire was intended to collect information from Member countries concerning existing safety labels and conformity marks for the products in question. It was established that *warning labels and pictograms should not be included in the survey*. The information should centre on:

- The existence and types of certification marks and labels for these products. Of interest is what, in fact, the marks/labels represent or stand for, and potential conflicts between existing marks/labels and consumer perceptions of the meanings of such marks/labels.
- Possible measures, or other actions, taken in order to counter restrictive effects in the trade of these goods due to the proliferation of such marks/labels or due to consumer interpretation of the meaning of these marks/labels.
- Existing studies concerning the extent of the proliferation of such labels and certification marks, in general, or regarding any of the chosen products in Member countries, and possible considerations of their effects on consumers, trade and industry; and
- Planned surveys/studies or measures to be taken in Member countries regarding the proliferation of such labels and marks.

## 3. SUMMARY OF RESULTS

### 3.1 *Responses to the Questionnaire*

A total of 14 countries have responded to the questionnaire (Annex I). Unfortunately these responses will not provide sufficient evidence to elaborate the issues that surround questions 3, 4 and 5. Few countries seem to have experienced the problems with the proliferation of labels and conformity marks in such a way that they have resulted in special studies, investigations or countermeasures to offset possible trade restrictive or misleading effects.

### 3.2 *Existence of certification or safety marks*

Generally speaking, the EEA or EU countries have referred to the EC New Approach Directives. All of the four product types are covered by New Approach Directives and must subsequently be CE marked. As a matter of practice, it appears that the CE mark is being utilised.

*Austria*

Austria has indicated that there are several marks on the products in question, but has confined its response to marks which have a legal base in Austria. However, regarding microwave ovens there is also a voluntary mark, the ÖVE, which indicates conformity with Austrian safety requirements in the electrotechnical sector. The ÖVE is a private mark and requires a third party testing procedure.

*Denmark*

Denmark referred to the problems surrounding the widespread misconception that the CE mark would also include some sort of safety guarantee for the consumer. However, the Danish response indicated that few additional certification marks appear on the products in question.

*Norway*

The reply from Norway follows the same pattern. Only in one case - bicycle helmets - has an extra "certification" mark been found. However the Norwegian reply did not disclose any further details about the mark with respect to the criteria or specific requirements it represents.

*Sweden*

In contrast to its Scandinavian neighbours Sweden has found a number of additional certification marks for at least two of the relevant product types. In several cases, bicycle helmets have extra certification marks which appear beside the CE mark such as the TÜV/GS (Geprüfte Sicherheit), reference was also made to ASTM, ANSI, Swedish Guidelines, etc. Microwave ovens are regularly marked with additional certification marks like "S", "N", "FI", "D", and "TÜV/GS". In some cases markings such as "DVE", "B", "ÖVE", "EMV" could also be seen. Obviously, these marks will create some confusion for the consumer and could be regarded by some manufacturers as trade restrictive or at least costly. All European certification marks originate from private organisations or enterprises.

*Finland*

The Finnish response is relatively similar to that of Sweden and indicates that occasionally additional markings like the TÜV/GS or ASTM appear on toys and bicycle helmets and that a variety of certification marks are used for microwave ovens.

*Canada*

In Canada, toys are marked with the CE mark or the "Kite" mark which shows conformity to British Standards. Electric lawn mowers and bicycle helmets must be CSA marked showing conformity to Canadian Standards, while microwave ovens fall under specific regulations which do not require a certification mark. In some cases, extra certification markings such as the US, Snell and ANSI conformity marks appear on bicycle helmets, however, in general these multiple marks do not seem to pose a problem in Canada.

*Mexico*

Mexico's current process of product testing and certification of compliance with mandatory standards requires that all finished goods whether imported or domestically produced, must carry one seal of common use to show conformity to relevant standards. Hence, the Mexican response to the questionnaire covers all four products. According to Mexican legislation, the Ministry of Trade and Industrial Development (SECOFI) authorises the use of an official mark on products fulfilling relevant Official Mexican Standards (NOM). The NOM seal guarantees consumers that the product meets the design, technical and performance specifications imposed by the safety standard in question in order to reasonably protect him/her from health risks.

Several other marks have appeared on the market in Mexico, the most recent of which is the certification mark "ANCE". This mark is used to certify a product's fulfilment with one particular "NOM" related to electric household appliances. In Mexico there are only a few mandatory safety standards and certification marks and, as a result, no significant problems have emerged that would make it necessary to inform consumers about the meaning of such marks. However, Mexican producers who sell goods in foreign markets have experienced problems as they must prove that their products comply with mandatory standards in each country in which their products are sold.

*Korea*

In Korea, two kinds of certification marks are applied to manufactured products; the GUM which shows that the product has passed a general test; and the CHUN which shows that it has passed an electrical test. There are no private certification marks in Korea so there is therefore no confusion between safety labels and certification marks. However the globalisation of the commodity market is resulting in a number of other types of marks which could be confusing to consumers. The marking/labelling systems have been developed as part of an industrial policy which does not necessarily reflect a consumer demand.

*Netherlands*

The response from the Netherlands broadly follows the pattern from Finland and Sweden. Only in the areas of bicycle helmets and microwave ovens is there a certain proliferation of conformity marks. The US marks, ANSI and Snell and the TÜV/GS can be found on helmets, and various other European, private certification marks can be found on microwave ovens.

*New Zealand*

Of the products concerned only bicycle helmets are required to bear a certification mark in New Zealand. While the other products are not required to bear certification marks or other safety marks or labels, such marks do sometimes appear, for example the CE mark is found on toys, a reference is made to ASTM or Lion Mark or a general notice is given that the product exceeds all US or Canadian safety regulations. Bicycle helmets must comply with the joint Australian/New Zealand standard or the American Snell B90 standard and must carry a certification mark indicating compliance with the standard which has been issued by a third party certification body. No labels or marks are issued by government bodies and the Ministry is unaware of any conflict between the certification mark and other labelling.

### *Poland*

In Poland, producers, importers, and in some cases salesmen are obliged to assure conformity with Polish Standards and appropriate regulations between the quality and labelling of the product before it is introduced into the market. It is also obligatory to obtain a certificate of conformity and a safety mark "B" demonstrating such conformity or to obtain a licence issued by an authorised body allowing the introduction of the product into the market. Domestic and imported products which can cause any danger or are used to protect life, health or environment are obliged to apply for certification and are required to use and display the safety mark granted by the Polish Centre for Testing and Certification. The lists of products covered by obligatory certification regulations are established by the Director of the Polish Centre for Testing and Certification. According to general estimations about 40 per cent of all products introduced into the market are subjected to obligatory certification.

In Poland, two types of marks exist in the area of safety and conformity:

- The <PN> mark which indicates that products conform to Polish Standards. An accredited certification body -- one which has signed an agreement with the Polish Committee for standardisation on recognition of testing reports and the certificates of conformity -- can grant the right to use this mark. Currently none of the products which are part of this survey are marked with the <PN> mark.
- The "B" Safety mark which confirms that the product is not harmful for health, property or the environment. This mark is granted by the Polish Centre for Testing and Certification.

Toys, microwave ovens and power lawn mowers are covered by certification systems in Poland, however, bicycle helmets are not. No labels or certification marks are issued by private organisations and there is no conflict between the two systems of certification and marking.

### *Czech Republic*

There are five basic types of certification marks in use in the Czech Republic, all of which are, in principle, relevant to the products in question. Beginning 1 September 1997, a new label, similar to the EU "CE" mark, was introduced to replace some of these marks. The label is mandatory for products related to the "G" module in the "Global Approach" and voluntary for other products. In addition, there are two variants of "Czech made" quality labels which are issued by a private organisation for products of Czech origin. The safety and quality of these products is tested by the independent body and the label is then conferred for only a one year period. The Czech Republic reported no confusion amongst the various certification marks.

### *United Kingdom*

In the United Kingdom, certification or safety marks or labels are found on toys, bicycle helmets, power lawn mowers and microwave ovens. The details for each product are:

- Toys - CE marking and Lion Mark;
- Bicycle helmets - CE marking and BSI Kite mark;

- Power lawn mowers - CE marking and BSI Kite mark;
- Microwave ovens - CE marking and BEAB Approved mark.

The CE marking is a declaration of product conformity to the essential safety requirements of the relevant EC Directive. The Kite mark indicates product conformity to a British or European safety standard and indicates that a manufacturer has a suitable quality assurance system to help ensure consistent conformity of products with the standards. The Lion Mark is a private certification scheme operated by the British Toy and Hobby Association. Through the use of the mark, Association members agree to abide by a Code of Practice which includes ensuring that their toys comply with the relevant British Standards (which implement the harmonised European Standards). The BEAB Approved mark signifies that a household electrical product has been safety tested for conformity to relevant British standards and harmonised European standards.

All of these marks are issued by private organisations and there seems to be no conflict between the various marking or labelling schemes. Consumers in the UK tend to be fairly confident that the BSI Kite mark indicates a safe and reliable product, and generally speaking, the British opinion seems to be that the marks are a result of consumer demands. This is of particular interest as no other OECD Member country has explicitly stated this opinion. The more common response has been that the marking is a result of marketing conditions for the companies. The Korean reply in this respect might represent a more general view by stating: "Since marking/labelling systems have been developed in the process of the development of industry policy, it does not necessarily reflect a consequence of consumer demand."

The British Kite Mark is an illustration of a kite. It is a registered certification Trade Mark of the British Standards Institution, under which a manufacturer can be licensed to display this mark on products which BSI is satisfied are being produced consistently to relevant national, European and international standards. This requires a combination of independent testing to ensure conformance with specified product standards, quality system certification and a programme of periodic checks by BSI on both product and quality system.

The Lion Mark is an illustration of a lions head in a triangle. It is a licensed mark issued by the British Toy and Hobby Association. The BEAB Approved Mark is applied by the British Electrotechnical Approvals Board, which is an independent body for the approval of household electrical equipment. Eligible equipment carries this mark as a result of independent testing of a sample of the product to the relevant British, European and international standards. Factory visits and repeat testing of random samples of production are used to assess that the original standard of approval is being maintained.

### **3.3 *Information about certification and safety marks***

As indicated earlier in the report, thus far OECD Member countries have given very little consideration to undertaking studies, investigations or other measures related to the proliferation of certification or safety marks. This being the case, there seem to be no measures or action taken to counter possible trade restrictive or misleading effects from the proliferation of labels and marks.

While many consumers in OECD Member countries may have a relatively vague knowledge of the background and meaning of various certification marks, information campaigns in a variety of forms have been introduced in most of the responding countries. The DTI, Consumer Safety Unit, in the UK has issued advice to consumers alerting them that the CE marking is not a safety mark or a quality symbol intended for consumers and that it should not be relied upon as such. Similar information has been given

by many EU countries. The owners of other marks, normally private bodies, produce publicity and promotional material about criteria for the marks and their significance for the industry and consumers.

#### 4. DISCUSSION

Obviously there is a need for clear and precise information to consumers as regards the quality and safety aspects of many products. Industries can and do attempt to fill this information gap by developing *inter alia* marks and labels which, when they are well known and understood by consumers, can convey the right information message. However the certification marks and labels can also be a part of a strategy of market segmentation used to strengthen a company's market position. As many notified or accredited bodies are commercial entities, it is also in their interest to create and develop different kinds of certification procedures and marking schemes.

If this type of development continues there is a risk that the proliferation of certification or safety marks will confuse consumers and they may become some form of barrier to trade between countries. Within the European Union this development has created some concern, in particular for the European Commission and for those involved in creating a level playing field for the internal market. In this case it is of course also a matter of co-existence between the CE marking system and other marks of conformity.

In a written question to the EC Commission from a member of the European Parliament (19 July 1995) the following questions are raised *inter alia*:

- "Is the Commission aware that, in some countries in the Union, other seals of approval are still in use in addition to the EC verification mark?"
- "Is the Commission aware that such national seals of approval are held in higher esteem?"
- "Does this development constitute a real danger to the internal market bearing in mind that the EC marking is intended to eliminate technical barriers to trade?"
- "Is not this development highly prejudicial to European industry, especially to small and medium-sized enterprises?"

The EC Commission replied that there is a problem but underlined that the CE marking is not a quality marking. The following citation from the Commission's reply however reveals that there is a considerable concern in the Commission for these issues.

From a European industrial competitiveness point of view the existence and retention of voluntary private quality marks at national level can be undesirable because they can force manufacturers into unnecessary multiple certification to ensure market access of their products to each national market. The Commission is aware that the continuing growth of multiple and incoherent quality markings at national levels constitutes a particular burden for small and medium-sized enterprises, both in terms of finance and of manpower.

The Commission also clearly stated that "(i)n the long term, quality marks should be created at European level and replace the national marks." While much is written about the meaning of the CE marking and its co-existence with other types of marking schemes there still seems to be an evident confusion in this area. However, the difference between mandatory CE marking as a proof of conformity with law and voluntary quality markings as a proof of specific characteristics should be recognised. The

Commission subsequently produced a discussion paper intended to clarify the meaning of the CE logo and invited Member States to comment.

In its recent action plan for the internal market the Commission expressed its concern regarding the proliferation of conformity marks. The Commission states that there is a risk that the proliferation of national conformity marks - public as well as private - implies unnecessary costs and distortion of markets for enterprises within the internal market. The Commission therefore intends to review its policy as regards conformity marking. A questionnaire has been sent out to the Member States concerning the existence of various certification marks, but so far the result is unknown. As mentioned earlier, there is a link between the "transitional process" of the CE marking system and a need in the marketplace for reliable information signals to indicate product safety. In theory, an effective CE marking system would eliminate the need for other certification marks in particular where safety levels claimed by the manufacturer are not much higher than those specified by the CE mark. However, as long as market surveillance is not performed in an efficient and co-ordinated manner within the EU/EEA, the risk of endangering the value of the CE marking is obvious. In such cases third parties such as consumers, users and, to some extent, inspection authorities, might have recourse to national and private marks as they provide additional information as to the compliance of a product with certain requirements or procedures. The extent to which such additional marks are to be found, and will continue to be found reliable by the market, will also depend on factors such as the accuracy of the underlying requirements and procedures.

## **5. CONCLUSIONS**

As the potential problems related to the use of multiple safety labelling or marking schemes seem to have low priority on a national level, and no country, for the moment, intends to carry out specific studies in this matter, there is no reason to continue this OECD project at present. However, bearing in mind recent developments in the EU countries and the results of the European Commission deliberations, it could be worthwhile to monitor the further development of this issue.

**ANNEX I: OECD LABELS AND CONFORMITY MARKS IN A GLOBAL MARKETPLACE**

The following countries responded to the questionnaire:

Austria

Canada

Czech Republic

Denmark

Finland

France

Korea

Mexico

Netherlands

New Zealand

Norway

Poland

Sweden

UK

**ANNEX II: QUESTIONNAIRE ON STUDIES CONDUCTED IN MEMBER COUNTRIES AND ACTION TAKEN CONCERNING THE PROLIFERATION OF LABELS AND CERTIFICATION MARKS**

1. Do certification or safety marks or labels exist on the following product areas in your country - toys, bicycle helmets, power lawn mowers, microwave ovens? If so, give the following details for each product:

- a) What kind of labels and/or marks are used?
- b) What do the labels and/or marks represent?
- c) Which labels and/or marks are issued by private bodies/organisations?
- d) Which labels and/or marks are issued by governmental bodies/organisations?
- e) Is there a conflict between existing marking and labelling procedures for the products concerned?
- f) Are the marking/labelling schemes a consequence of consumer demands?
- g) Could you briefly describe the existing safety or labelling marks?

2. Please indicate measures or actions taken - if any - in order to counter possible trade restrictive or misleading effects resulting from the proliferation of labels and marks, or, if in the event such effects are perceived, have consumers been informed of the meaning and need of these various marks? Give the following details on any such measure or action:

- a) Type of measure or action
- b) Year
- c) Carried out by which organisations (central administration and/or local level, state research institution, consumer organisations, commercial or industrial organisations)?
- d) Short description of the measures initiated.
- e) Do you have any knowledge of the effects of these measures?

3. Please describe major studies or existing information - if any - concerning the proliferation of labels and certification marks undertaken during the last three years. Give the following details for each study:

- a) Title of the study
- b) Year of publication
- c) Available in which language(s)
- d) Financed by (e.g. government authority, research institute, consumer organisations, trade and industry bodies, private business)
- e) Summary of main findings and impact on consumers and trade and industry.

4. If no study or action has been undertaken: please report any plans to launch a study or take any action as regards the proliferation of labels and certification marks and indicate any relevant details available on the planned study or action.

5. Do you know of any other significant problem areas resulting from the proliferation of labels and certification marks. If so, please provide details.