

Standing Committee on Preparations for Euro held in HM Treasury (IX)

Attendance

Ruth Kelly - Financial Secretary to the Treasury (Chair)
Rachel Lomax - Bank of England
Sir George Mathewson - British Bankers Association
Isabella Moore - British Chambers of Commerce
David Felwick - British Retail Consortium
Sir Andrew Turnbull - Cabinet Office
David Harker - Citizens Advice
Digby Jones - Confederation of British Industry
Barry Sheerman - Cross Party Parliamentary Group
Patricia Hewitt - Department of Trade and Industry
Callum McCarthy - Financial Services Authority
Stuart Etherington - National Council for Voluntary Orgs
Alistair Darling - Secretary of State for Scotland
Ian Brinkley - Trades Union Congress
Don Touhig - PUSS, Wales Office
Sir Graham Hall - England's RDAs

Sue Owen - HM Treasury
Nick Leake - HM Treasury
Maurice Dudley - HM Treasury

Apologies:

Gordon Brown - Chancellor of the Exchequer
Sir Jeremy Beecham - Local Government Association
Paul Murphy - Northern Ireland Office

Welcome and Introduction of new members

Ruth Kelly said that she was chairing the meeting in the absence of the Chancellor on paternity leave. This was the first meeting of Standing Committee since the 9 June announcement, and the Chancellor's decision to invite four new members to join the committee. This was to ensure a wider involvement in preparations from across the economy. Ruth Kelly invited the new members to introduce themselves and their organizations.

Stuart Etherington said that NCVO had around 3,500 member organizations. Many of these dealt directly with vulnerable groups and consumers, and he would be looking to ensure that the interests of these groups were reflected in euro preparations work. Sir Graham Hall said that he had recently completed his period as the Chair of Chairs of the Regional Development Agencies (RDAs), which were business driven. RDAs were working on their own preparations where they wanted to set an example. They were also facilitating wider consultations with business in the regions. David Harker said that Citizens Advice would be representing their constituency of vulnerable consumers. He said he had concerns about financial literacy in the UK, which would need to be addressed in the context of a potential euro changeover.

Ruth Kelly commented that consumer protection work was key, and said that this was being taken forward by HM Treasury together with DTI, who would be setting up a Consumer Group including consumer representative organizations, business and other interested parties. Ruth Kelly said that Sir Jeremy Beecham, Chair of the Local Government Association, would be the fourth new member and that he sent his apologies. Work with local authorities was a priority area for euro preparations.

HMT's EMU Assessment and Next Steps

Sue Owen said that, since 9 June, HMT officials had been engaged in presenting the results of the assessment across the UK, Europe and the world. One of the academics involved had commented in his contribution to the Supporting Studies that, he now saw the potential benefits of membership as far greater than he had anticipated, as were the challenges of

membership; this was very much the theme of the Treasury assessment too. Sustainable and durable convergence would be the key, and UK policy remained the same, that stability and the national economic interest were paramount. Ruth Kelly commented that the assessment and the quality of the analysis had been well received.

The Chancellor had set out the next steps in his 9 June statement to the House. The Budget would report on economic reforms in progress, following which the Government would consider whether to ask for another assessment of the case for membership. Ruth Kelly said that Government policy remained in favour of UK membership of the euro in principle, if the economics are right. Preparations remained very important and should be pursued. She emphasized the importance of incorporating euro compatibility into all new or upgraded systems. This had been Government policy for the public sector since 1999.

The third outline National Changeover Plan

Ruth Kelly introduced Nick Leake, who gave a presentation on the Changeover Plan and the potential UK changeover timetable. In particular, the Government had announced that its preferred date for the introduction of euro notes and coin (E day) would be 6 April. There would be approximately 30 months between any positive referendum and E day. The timetable was set out in greater detail in the Changeover Plan. From T day wholesale financial markets would operate in euro, the exchange rate would be fixed irrevocably, and monetary policy would be set by the ECB. The timing of T depended on negotiations with partners. From RT day, around 10 months before E day, retail financial services would gradually migrate to euro, but consumers would not notice significant change. Since 9 June, in line with these new certainties, preparations had been stepped up. Central Government and the financial sector were reasonably well prepared, and work was being extended to cover others in the economy.

Isabella Moore suggested that the Commission might play a less significant role in any post-Referendum information campaign in the UK than it had in the euro area. David Harker said that most consumers surveyed had said that they wanted a longer dual circulation period (where both euro and sterling cash would be legal tender) than the two months envisaged by the timetable. Ruth Kelly said that the experience from the euro area had suggested that consumers wanted a short dual circulation period, as they did not like carrying two currencies in their pockets. Legacy currency could still be converted at banks well after the end of this period. Digby Jones agreed that a shorter dual circulation period would be best.

David Harker also expressed some concern about preparations in the Department of Work and Pensions (DWP) which would affect many Citizens Advice clients. Ruth Kelly said that central Government preparations were in good shape, and HMT and ODPM were now working with local authorities. A group of local authorities had requested support in writing Changeover Plans and central Government departments were actively helping. Public sector departments, including DWP, were putting their programmes through OGC Gateway reviews or equivalent to ensure good programme management and best practice were being followed. Barry Sheerman said that the Cross Party Group had considered preparations in key public sector departments, and felt good work had been done by DWP, though there was obviously more work to do. He was more concerned about private sector preparations.

David Felwick said that it was difficult for the BRC, for example, to retain interest amongst its members, and particularly smaller members, where nobody thought that a decision to recommend UK membership of the euro was imminent. Patricia Hewitt noted that before the introduction of the euro in the euro area it had been possible to increase awareness very quickly. This could happen in the event of UK membership too. But it was vital that all organizations, including small businesses, remember to include euro compatibility in any new or upgraded IT systems now. This could significantly reduce the potential costs of a changeover, at nil or marginal cost now. Ruth Kelly agreed and said that this was very important. In line with the Prime Ministers statement in 1999, the public sector should incorporate euro compatibility as a matter of course for new or upgraded systems. The private sector could follow suit.

Scotland, Wales and Northern Ireland Euro Preparations Committees

Alistair Darling said that the Scotland committee had now met. Large institutions were well prepared, but smaller organizations generally did not see euro as a priority. The committee had considered communications issues important, as well as consumer protection. There had been comments about how much dual pricing should be asked, and how a consumer protection framework would be applied. Ruth Kelly said that work was ongoing and a new Consumers Group would be set up. Isabella Moore said additional information was needed about the politics and economics involved with euro now, not just preparations.

Don Touhig said that the Wales committee had identified the Welsh language, the large number of SMEs in Wales and vulnerable groups, including in rural areas, as key issues. Ruth Kelly said that Paul Murphy, Secretary of State for Northern Ireland, sent his apologies, but the Northern Ireland committee had also met.

Seventh Report on Euro Preparations

Ruth Kelly introduced the seventh report, and said that members of Standing Committee would receive a pre-publication copy as usual. Many of the organizations represented had been involved in the drafting of the Report, and she thanked members of Standing Committee for allowing their staff to spend time on this work. She said that the Treasury were considering issuing slimmer updates on preparations to a more regular timetable, perhaps twice a year. This would replace the previous practice of issuing comprehensive reviews of preparations to date. So, for example, the seventh report would be considerably shorter than the sixth. Members of Standing Committee welcomed this approach.

Any other business

No items were raised.

Date of Next Meeting

Ruth Kelly said that the next meeting would be after Budget 2004, when the Chancellor would make further announcements on EMU.