

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

Attendance

Chancellor of the Exchequer - Gordon Brown MP
Financial Secretary to the Treasury - Ruth Kelly MP
Secretary of State, Scotland Office - Helen Liddell MP
Under Secretary of State for Competition, Consumers & Markets, DTI -
Melanie Johnson MP
Chair of the Cross Party Parliamentary Group on Euro Preparations -
Barry Sheerman MP
Governor of the Bank of England - Sir Edward George
Managing Director, Financial Services Authority - Michael Foot
European Secretariat, Cabinet Office - Rachel Green
Deputy Director General, CBI - John Cridland
President, British Chambers of Commerce - Anthony Goldstone OBE
Chairman, British Retail Consortium - David Felwick
Director General, British Bankers' Association - Iain Mullen
General Secretary, TUC - John Monks

Jon Cunliffe
Sue Owen
Mike Glycopantis
Hilary Thompson
Roger Hargreaves

Apologies:

Secretary of State for Trade and Industry - Patricia Hewitt MP
Secretary of State for Wales - Paul Murphy MP
Secretary of State for Northern Ireland - John Reid MP
Director General, CBI - Digby Jones
Chairman, Financial Services Authority - Sir Howard Davies
President, British Bankers' Association - Sir George Mathewson

Minutes of the meeting

The Chancellor welcomed members of the Committee, including those who were attending for the first time. The Chancellor introduced the agenda.

Euro area learning

The Financial Secretary updated the Committee on the Government's two forthcoming reports on euro preparations. As agreed at the last meeting of Standing Committee, the Euro Preparations Unit had co-ordinated 'Lessons from the Changeover in the Euro Area: a Summary of Reports by Private Sector Organisations in the UK'. The report set out the key co-ordinating role played by Government in the changeover in the euro area, and the key facilitating role played by the banking sector. Many businesses had looked to service providers such as accountants, and representative trade organisations for advice. Consumers had behaved enthusiastically but unpredictably. The Financial Secretary thanked members of Standing Committee for their contributions which had helped to make the report possible.

The Financial Secretary said that the Government was also publishing the Sixth Report on Euro Preparations. The report identified three key elements of a successful changeover - effective co-ordination, timely technical preparation and provision of accessible information. The report confirmed that the UK should now plan on the basis that, in the event of a UK decision to join EMU, the dual circulation period would last for two months or less, given the evidence from the euro area. And the report showed that the main areas of work in changeover planning were and should continue to be public sector preparations and planning for a managed transition.

Members of the Committee welcomed the reports, and made a number of observations. Melanie Johnson said that the reports highlighted the importance of maintaining consumer confidence in the event of a UK changeover. Anthony Goldstone said that the euro area experience showed there would be a need to offer proper support to small businesses if the UK were to join EMU. Iain Mullen drew the Committee's attention to the illustrative timetable, and issues for the banking sector. David Felwick said that dual pricing would be a key issue during a changeover, and that the policy would have to be clear and flexible.

The Chancellor thanked the Committee members for their organisations' ongoing support for this work, and confirmed that both reports would be published on 18 July.

Progress of public sector euro changeover planning

The Financial Secretary said that the public sector had made significant progress through a low key but intensive programme of euro preparations work. Since the last meeting, all government departments had finalised internal conversion strategies. These set out how they would convert systems, operations and functions in the event of a UK changeover.

Government departments were continuing to build in euro compatibility, where that represented value for money, as systems were modernised. The public sector had now spent £30.5 million on preparations for the possibility of UK entry.

The public sector had also produced a report on the lessons from the euro area experience. This was an important resource for all public sector bodies. The report would be made available to private sector stakeholders on request.

Departments had made significant progress on technical issues. The planning framework had been restructured to incorporate the latest programme management methodology.

The Financial Secretary said that as a consequence of this work, lead times in the public sector had fallen significantly. From around 33 months last year, they were now approaching 24 months.

The Committee welcomed the lead being shown by the public sector.

Next steps in changeover planning

The Chancellor set out the next steps in changeover planning. He said that work would continue on how a changeover would be managed if the UK were to join EMU. Changeover planning would be extended to local authorities over the summer. He said that all central government departments would need to produce reaction plans for use in the event of a UK decision to join EMU. The Government was also placing a high priority on how consumers would be protected and reassured during a changeover process.

Hilary Thompson, the new Head of the Treasury's Euro Preparations Unit, set out the forthcoming programme of work to refine the Treasury's co-ordination of a managed transition. Sue Owen, the Treasury's Director for EMU, confirmed that managed transition work would be a central plank of the Euro Preparations Unit's work.

Any other business

David Felwick asked for an update on work on the timing of an introduction of euro cash. The Chancellor said that work was ongoing, and that the Government was well aware of the range of views across different sectors, including the retailers' preference for mid-February.

The Chancellor said that preliminary and technical work towards an assessment of the five economic tests was ongoing. Further details on this were set out in his recent Mansion House speech, a copy of which he would send to Committee members.

The Chancellor thanked the departing Head of the Euro Preparations Unit, Mike Glycopantis, for his work with the Committee.

