



HM Treasury

outline national changeover plan

CONTENTS

1	Executive Summary	3
2	Government policy, UK preparations and this plan	7
3	Making the changeover in the UK	11
3.1	<i>Phases of the changeover</i>	11
3.2	<i>The timetable for the participating Member States, what the UK can learn</i>	13
3.3	<i>Critical path for the UK</i>	17
4	How businesses make the changeover	23
4.1	<i>Introduction</i>	23
	Case study: SME	25
4.2	<i>The City of London</i>	28
4.3	<i>Retail financial sector</i>	30
	Case study: retail bank	32
4.4	<i>Retailers, Utilities and Consumers</i>	34
	Case studies: supermarket	38
	corner shop	41
	mail order retailer	43
	utility	44
5	Public authorities	45
	Case studies: DSS	51
	Inland Revenue	53
	Bedfordshire County Council	55
6	Notes and coins	57
7	Legislation	59
8	Public information	60
9	Preparing for the changeover	63

CHAPTER 1

Executive Summary

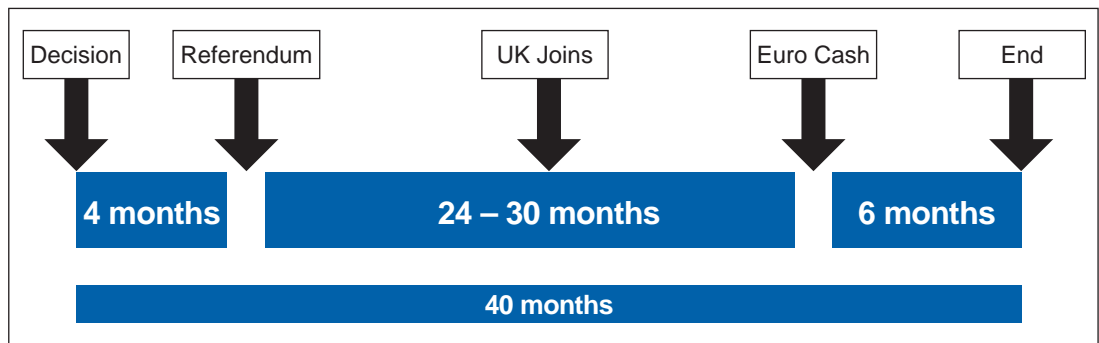
1. Government policy on membership of the single currency was set out by the Chancellor of the Exchequer in a statement to the House of Commons in October 1997. The determining factor underpinning any Government decision on membership of the single currency is whether the economic case for the UK joining is clear and unambiguous.
2. The October 1997 statement acknowledged that to share a common monetary policy with other states does represent a major pooling of economic sovereignty. It also stated that if the economic benefits are clear and unambiguous, there is no constitutional bar to British membership of EMU. Because of the magnitude of the decision, Government believes – as a matter of principle – that whenever the decision to enter is taken by Government, it should be put to a referendum of the British people. Government, Parliament and the people must all agree.
3. The Government has set out five economic tests which will have to be met before any decision to join can be taken. These are: whether the UK economy has achieved sustainable convergence with the economies of the single currency; whether there is sufficient flexibility in the UK economy to adapt to change and other unexpected economic events; whether joining the single currency would create better conditions for businesses to make long-term decisions to invest in the UK; the impact membership would have on the UK financial services industry; and ultimately whether joining the single currency would be good for employment.
4. These tests are challenging. Barring some fundamental and unforeseen change in economic circumstances, making a decision, during this Parliament, to join is not realistic. But preparations should be made in this Parliament so that, should the economic tests be met, a decision to join a successful single currency can be made early in the next Parliament. Without preparation, it is not a practical option. The British people should be in a position to exercise genuine choice.

Preparations are already underway

5. Over the past 18 months the Government has worked intensively with the business community and wider public sector both to ensure the necessary preparations were in place to deal with the euro from 1 January 1999, and to take forward detailed planning work for possible UK entry if that is what Parliament and the people decide. This plan deals primarily with the practical aspects of UK entry, the work done so far, and the work planned for the future.

A timetable for changeover

6. The key stages in the changeover would be:
 - (i) a Government decision to join the single currency;
 - (ii) a referendum;
 - (iii) joining (when sterling would be irrevocably fixed against the euro);
 - (iv) the introduction of euro notes and coins;
 - (v) the end of the changeover when sterling would be withdrawn.
7. A key aim of the work on the changeover has been to develop a critical path. At this stage it is not possible to indicate exact timings but it is possible to give a broad indication of the time needed between key stages of the changeover. The UK can learn from the experiences of the participating Member States and the timetable they have adopted. The Government believes the UK could move considerably faster because the euro already exists, business and the public sector is already adapting to the euro, and the UK can learn from the experiences of its EU partners.
8. The Government believes that the entire changeover, from a Government decision to join right up to the withdrawal of sterling, could be achieved in 40 months or less.



9. The period of 4 months *from a decision to a referendum* would depend on how quickly the practical arrangements for a referendum could be put in place.
10. Before the UK could join, the European Commission and the European Central Bank would need to report to the Council on whether the UK economy had achieved a high degree of sustainable convergence with the euro area. These reports would form the basis of a Council decision on whether or not the UK met the necessary conditions to join. The Council would also need to take other decisions necessary to enable the UK to join the single currency.
11. The Plan does not give a timescale for the period *from a positive referendum result to joining*. This is because the speed with which the UK could move would be influenced by a number of factors, including the state of preparedness of key sectors of the economy which may need to cope with a peak in demand for euro services – principally the banks and the revenue departments. Further work is being taken forward here.

12. For most sectors of the economy the key period is *from a referendum to the introduction of notes and coins*. The sectors that would dictate the overall timescales would be the retailers and utilities, key parts of the public sector and those involved in producing and distributing euro notes and coins. Providing detailed planning is taken forward now, this period could be completed in 24-30 months.
13. The final period, *from the introduction of notes and coins to the withdrawal of sterling* has been set at 6 months in line with initial advice from the Business Advisory Group. Most countries now believe a shorter period is achievable – perhaps 2 months.
14. A further phase of work is required to produce a more complete timetable. Key areas are:
 - further work with the banks and revenue departments to assess the likely level of demand for euro services;
 - the role of the public sector in influencing euro demand, and in giving a lead to the private sector on investment decisions;
 - detailed work with retailers, suppliers and consumers on how best to manage business relationships and protect consumer interests during the changeover.

How businesses would make the changeover

15. All businesses would need to adapt their systems to the euro. The difficulty of converting systems would vary greatly depending on their size and complexity. Many smaller businesses use ‘off the shelf’ systems or have service providers and would therefore have ready access to support. Businesses with larger, bespoke systems would face more intricate challenges.
16. As well as adapting systems, businesses would need to consider the impact of the euro on their business strategy. This plan outlines the challenges and opportunities for business in general and also looks at key sectors in more detail. It includes special sections on the retail banks and the City of London, as well as retailers.

Public authorities

17. The public sector would have a key role during the changeover. It spends about 40% of the UK’s income and covers a wide range of activities and services both for business and the wider community. The approach taken by the public sector would be a key factor in determining the approach taken by the rest of the economy.
18. The larger departments – the Department of Social Security, Inland Revenue and Customs & Excise would be particularly important in meeting the critical path timetable. The public sector will take a lead in planning so that the UK could make a quick and smooth changeover.

Other key areas

19. Essential planning work is also taking place on the production and distribution of notes and coins, legislation, and the major public information exercise that would be needed to ensure that businesses, public authorities and consumers would all be ready to deal with the introduction of euro notes and coins.

Looking forward

20. This plan reports on progress and sets out the next steps for preparations. The Government invites comments and informed debate on the many practical issues raised in this plan. The Government will work with business to further develop detailed plans and will report again in about a year's time.

CHAPTER 2

Government policy, UK preparations and this plan

1. Government policy on membership of the single currency was set out by the Chancellor of the Exchequer in a statement to the House of Commons in October 1997. The determining factor underpinning any Government decision on membership of the single currency is whether the economic case for the UK joining is clear and unambiguous.
2. The October 1997 statement acknowledged that to share a common monetary policy with other states does represent a major pooling of economic sovereignty. It also stated that if the economic benefits are clear and unambiguous, there is no constitutional bar to British membership of EMU. Because of the magnitude of the decision, Government believes – as a matter of principle – that whenever the decision to enter is taken by Government, it should be put to a referendum of the British people. Government, Parliament and the people must all agree.
3. The Government has set out five economic tests which will have to be met before any decision to join can be taken. These are: whether the UK economy has achieved sustainable convergence with the economies of the single currency; whether there is sufficient flexibility in the UK economy to adapt to change and other unexpected economic events; whether joining the single currency would create better conditions for businesses to make long-term decisions to invest in the UK; the impact membership would have on the UK financial services industry; and ultimately whether joining the single currency would be good for employment.
4. These tests are challenging. Barring some fundamental and unforeseen change in economic circumstances, making a decision, during this Parliament, to join is not realistic. But preparations should be made in this Parliament so that, should the economic tests be met, a decision to join a successful single currency can be made early in the next Parliament. Without preparation, it is not a practical option. The British people should be in a position to exercise genuine choice.

Preparations

5. It is important that the preparations for the euro already begun by Government and business do not lose momentum, so that the UK is in a position to make a quick and smooth transition should Parliament and the people decide to join the single currency.

6. The Government, together with a great many organisations such as the banks, Chambers of Commerce, Business Links, CBI, and others, has for some time been leading the way on preparations: both preparations for dealing with the euro now it is a commercial reality; and an assessment of the practical preparations that would be needed for UK entry if that is what Parliament and the people decide.
7. In Autumn 1997, the Chancellor of the Exchequer set up the Business Advisory Group (BAG), led by Lord Simon, and involving representatives from nearly twenty key business and trade organisations, the Trades Union Congress and Consumers' Association. The BAG's remit has been to consider the practical implications of EMU. In January 1998, the BAG reported on a range of preparations issues and arrangements for possible UK entry. Throughout 1998, the Treasury's Euro Preparations Unit was the focus for taking forward the BAG's recommendations and stimulating preparations in both the public and private sectors. The Unit is responsible for ensuring that UK business and public authorities are aware of the practical implications of dealing with the euro now that it is here, and, in consultation with key outside groups in both the public and private sector, taking forward the detailed work on the practical aspects of possible UK entry that underpin this plan.
8. The Government has provided a range of practical help for UK businesses now having to deal with the euro. It has:
 - produced a range of publications on EMU and core information for business, especially small and medium-sized enterprises (SMEs), in the form of twenty clear, concise factsheets on 'business preparations for the euro' (over 350,000 sets of factsheets have now been requested);
 - published six-monthly progress reports on overall and sectoral preparations and planning, and use of the euro;
 - set up a euro preparations website and opened a twenty-four hours a day telephone line for ordering the factsheets;
 - carried out a high level national communications campaign aimed at business including TV advertising, direct mailing to the 1.6 million SMEs with a separate business telephone line, and press and radio advertising. This aimed to raise firms' awareness of the implications of the launch of the euro from 1 January 1999 and prompt them to send for the factsheets;
 - provided speakers for over two hundred euro preparations events, trained over five hundred staff of business intermediary organisations across the UK and written over a hundred articles for inclusion in the journals of the principal business organisations and trade associations;
 - carried out two statistically representative 'benchmarking' surveys of all UK SMEs to assess their awareness of the implications of the euro, the practical preparations made and likely use of the euro from 1 January 1999;

- ensured the public sector was ready to facilitate business use of the euro – firms can now pay taxes, file accounts, issue and redenominate shares, receive certain agricultural grants and grants under Regional Selective Assistance (RSA), in euro. Customs & Excise has trained 10,000 staff to respond to business needs;
- established twelve regional euro forums throughout the UK, led by senior business people, which are now leading euro preparations and stimulating action among SMEs at local level.

This plan

9. This document represents a snapshot of where preparations stand today on the practical aspects of possible UK entry: a summary of issues identified, conclusions reached and work to be done. It is a consultative document – it will be developed over time, in the light of experiences of the first wave countries and continued dialogue with the key players in the UK.
10. It aims to:
 - inform business, the public sector and the public about what has been done and what remains to be done;
 - stimulate debate;
 - act as a planning tool for future preparations. The final chapter summarises next steps.
11. Please send any comments to the following e-mail address:

changeover.plan@hm-treasury.gov.uk

You can also write to:

Euro Preparations Unit,
Room 46/2, HM Treasury,
Parliament Street,
London SW1P 3AG.

Further copies of the plan are available from the Treasury Public Enquiry Unit,
tel: 0171-270 4860.

12. As well as a practical process in the UK, joining the single currency would require a process with the UK's EU partners. This is set out in the box below.

The Treaty process for joining the single currency

The process that would need to be followed with our EU partners to join the single currency is set out in the Maastricht Treaty and the European Communities (Amendment) Act 1993. There are four key stages to this process: notification; assessment; decision; and adoption of an entry rate for sterling.

Following a positive result in a referendum and Parliamentary endorsement of the terms of the notification, the Government would need to notify the Council of Ministers of the UK's intention to proceed to Stage Three of EMU. The European Commission and the European Central Bank would then report to the EU Council of Finance Ministers (ECOFIN) on whether the UK had achieved a high degree of sustainable convergence with the euro area by reference to the following criteria: price stability, sustainable public finances, convergence of long-term interest rates, and exchange rate stability against the euro. The reports would also examine the compatibility of UK legislation, including the legislation governing the Bank of England, with the requirements of the Maastricht Treaty.

A decision on whether the UK fulfilled the necessary conditions to join the single currency would be taken by the ECOFIN Council in the light of these reports and on the basis of a proposal from the European Commission. The final decision would require a qualified majority in the Council. The decision would be taken following discussion among Heads of State or Government and after consulting the European Parliament.

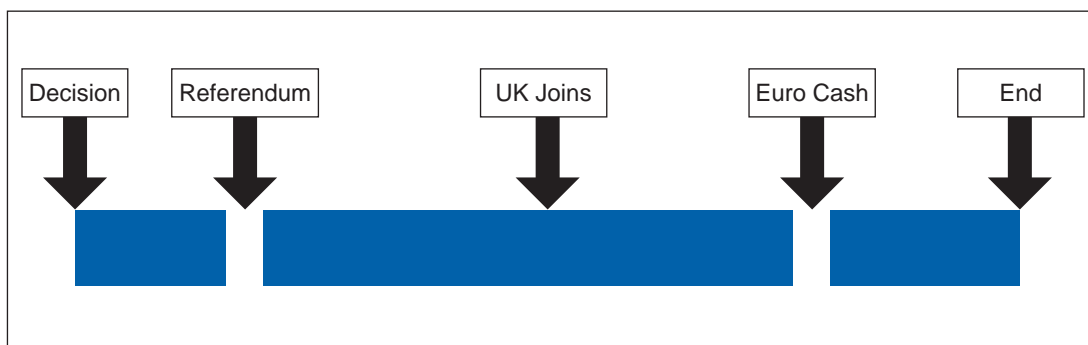
In the event of a positive decision, the ECOFIN Council, acting on a proposal from the European Commission and after consulting the European Central Bank, would adopt the rate at which sterling would be fixed irrevocably against the euro. The rate would require the unanimous agreement of the participating Member States and the UK. The Council, acting under the same procedure, would also take the other measures necessary for the introduction of the euro in the UK.

CHAPTER 3

Making the changeover in the UK

3.1 Phases of the changeover

1. In order to understand the changeover process it is helpful to look briefly at the key stages of the changeover and how these might be implemented in the UK. The key phases for the changeover are the periods between:
 - (i) a Government decision to join the single currency and a referendum;
 - (ii) a referendum and the joining date;
 - (iii) the joining date and the introduction of euro notes and coins;
 - (iv) the introduction of euro notes and coins and the end of the changeover.



2. The rest of this chapter describes these phases in more detail. Chapter 3.2 describes the timetable adopted by the participating Member States and what the UK can learn, and Chapter 3.3 explains current thinking on the critical path for the UK.

After a Government decision to join

3. The Government would announce a decision to join the single currency and present a referendum bill to Parliament.

After a referendum is held

4. If Parliament passed the referendum legislation, the next stage would be a referendum. If the people decided to join the single currency, then:
 - Government would present further legislation to Parliament (principally in relation to the Bank of England);
 - the Government would notify its EU partners who, with the UK, would decide whether the UK fulfilled the necessary conditions for joining the single currency;
 - preparations for entry in both the public and private sectors would intensify;
 - the manufacture of euro notes and coins would begin;
 - a national information campaign for both businesses and individuals would be launched.

Joining the single currency

5. On the day the UK joined the single currency, the sterling–euro exchange rate would be irrevocably locked. Financial markets would switch fully to the euro, and use of the euro would increase throughout the economy even though euro notes and coins would not yet have been introduced. There would be an intensive period of preparation, training and public information throughout this period leading up to the eventual introduction of notes and coins.

Euro notes and coins are introduced

6. This is the phase of the changeover with the greatest impact for the population as a whole. All new notes and coins would be euro and all non-cash business would have to be conducted in euro. So:
 - all financial systems would switch over to the euro;
 - sterling cash would start to be withdrawn;
 - the euro would be used widely.

The end of the changeover

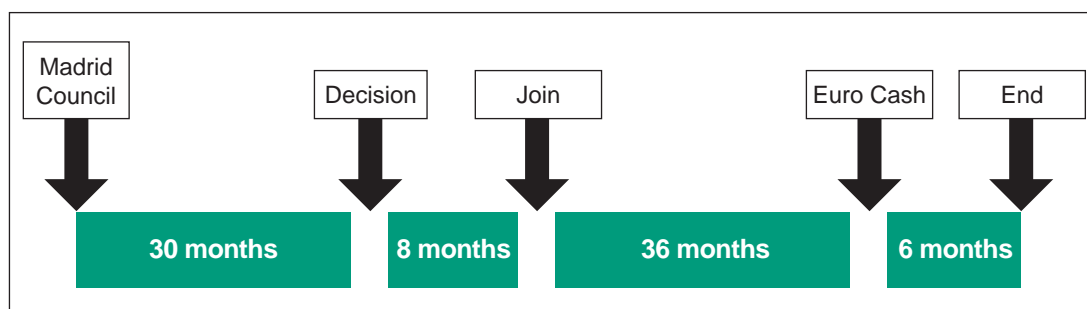
7. At the end of the changeover sterling cash would be withdrawn and euros would be used for all purposes.

3.2 The timetable for the participating Member States; what the UK can learn

1. Chapter 3.1 described the different phases of changeover that the UK would need to go through if it decided to adopt the euro. The euro is now a reality for the first wave entrants – the participating Member States. We can learn a great deal both from:
 - their experiences during the planning process, and
 - their actual experiences as the changeover unfolds.
2. The experiences of different countries are not identical and some lessons will be more relevant to the UK than others. The UK is also involved in dialogue with the other ‘out’ countries.
3. This chapter describes the timetable adopted by the participating Member States, explains how the changeover in the UK would be different, gives emerging themes, and further work planned.

The timetable for the participating Member States

4. The timetable adopted is as follows:



5. This is a total period of 80 months from the Madrid European Council in December 1995, when the timetable was adopted and 50 months from the May 1998 decision when the membership of the first wave was determined.

How the changeover in the UK would be different

6. There are important ways in which we would expect the UK's experience of changeover to differ from that of the participating Member States:
 - The obvious, and probably most important point, is that the euro already exists. This means that:

- For many UK businesses the euro is already a business reality. They are having to adapt systems and refine strategies to deal with it.
 - The City would already be dealing in euro.
 - The public sector is already offering facilities in euro.
 - The UK will be able to learn from the best solutions adopted abroad. There will be a wealth of IT experience of euro conversion and real experience of the growth of euro use during the changeover.
7. This means that, after taking a decision to join, the UK should be able to move more quickly than the first wave. Chapter 3.3 gives the Government's current best view of a critical path for the UK.
8. The rest of this chapter looks at specific lessons we can learn from the participating Member States. It looks at sectors which would be particularly important in determining the speed of the changeover:
- Banks;
 - Retailers;
 - The Public Sector;
 - Notes and Coins.

Banks

9. A variety of approaches have been taken for the conversion of the banking sector in the first wave countries, but some themes are evident:
- There is a general acceptance of the need to offer euro services from 1 January 1999 and most banks – certainly the larger commercial banks – are now able to do that. The planning models for most banks do not anticipate a rapid switch to dealing in euro, but rather a gradual build up during the transitional period (the period from locking of currencies to the introduction of notes and coins);
 - Most banks have delayed work on cash systems (cash machines, for example).
10. The advantages or drawbacks of individual approaches will only become clear over the months ahead. Some issues that should become clearer are:
- whether any one technological approach offers advantages: some banks have adopted a line by line adaptation of their computer systems; others have installed converters, capable of switching transactions between euro and the original currency;
 - the extent to which banks should co-operate: in some countries each bank has approached conversion as an individual exercise. In others, there has been a greater degree of formal co-operation; and
 - how accurate forecasts of euro use proved: there is a wide range of business and banking practices and a range of forecasts.

Retailers

11. The participating Member States are still developing and finalising their arrangements. Much of the work is focussing on the key period surrounding the introduction of euro notes and coins and the withdrawal of national currencies, which remains almost three years off. The real lessons will be learned once the UK sees how effective the different approaches followed in the first wave countries prove to be in practice. Nevertheless, early experiences suggest:
 - there has been a strong preference towards a voluntary rather than legislative approach to managing the changeover in terms of retail/consumer issues, with only Austria so far proposing to legislate;
 - despite the existence of a euro area voluntary agreement covering dual pricing, consumer information and similar matters, most countries have preferred to develop their own national agreements, which reflect national customs and the preferences of domestic retail and consumer organisations;
 - all first wave countries are planning to shorten the ‘dual currency’ period from the maximum six months allowed; and
 - the approaches proposed by the first wave countries differ markedly from each other; there does not seem to be a consensus about any single ‘right answer’. This consensus may develop.
12. At an individual company level, those UK retailers with outlets in the euro area may be particularly well placed to learn from first wave experiences.

Public sector

13. The speed at which the public sector could complete the changeover was one of the key factors behind the decision on the timetable for the first wave.
14. Public service administrations vary across the EU, in terms of size and structure and in the division between local and national responsibilities. Nonetheless, there are common strands which affect the speed and nature of changeover arrangements – the biggest task is the conversion of IT systems. Large scale IT projects have long lead times.
15. All the participating Member States have responded to business demand for options to be available for taxation assessment, declaration and payment in euro from January 1999. Countries have taken different approaches to meeting this challenge: in the Netherlands, two years of intensive IT development on the Millennium and on euro preparations has meant that IT projects relating to other policies have been delayed; in Ireland, the work was started at the beginning of 1997 and is some way from completion. However, manual systems are in place to handle what is anticipated to be low initial demand.
16. The main focus for public sector changeover is the end of the transitional period when the introduction of euro cash sets the deadline for most of the public sector,

including pensions and benefits. The UK has two of the largest IT systems in Europe. Though time-scales for changeover in these areas vary across the EU, depending on the modernity of systems, and the level of public sector competence in these areas, an estimate of 30 months of actual work (following 18 months of planning) for the changeover of their systems is fairly typical.

17. The UK will be able to learn much more from the participating Member States when they have made further progress towards changeover. There is already a UK secondee in the National Changeover Board in Ireland. Other secondments are planned to other EU countries.

Notes and coins

18. The participating Member States are still developing plans for the introduction of notes and coins. The UK will be able to learn a great deal from their experiences, in terms of:
 - the likely demand for notes and coins on introduction and beyond;
 - the logistics of the changeover process, including storage and distribution of notes and coins; and
 - how the vending machine industry is tackling the task.

Changeover planning

19. The changeover to the euro is an enormous undertaking. The arrangements for taking forward euro preparatory work vary from country to country, but all have adopted a common planning tool – the publication of national changeover plans. A common theme of these plans has been that, as well as mapping out overall changeover arrangements, they have in particular focussed on what the public sector was going to deliver at the different stages of the changeover. The UK's arrangements for taking forward the next phase of planning are outlined in Chapter 9 of this plan.

Next Steps

- Further discussions with EU partners.
- Monitoring of the growth of euro usage.
- A programme of secondments.

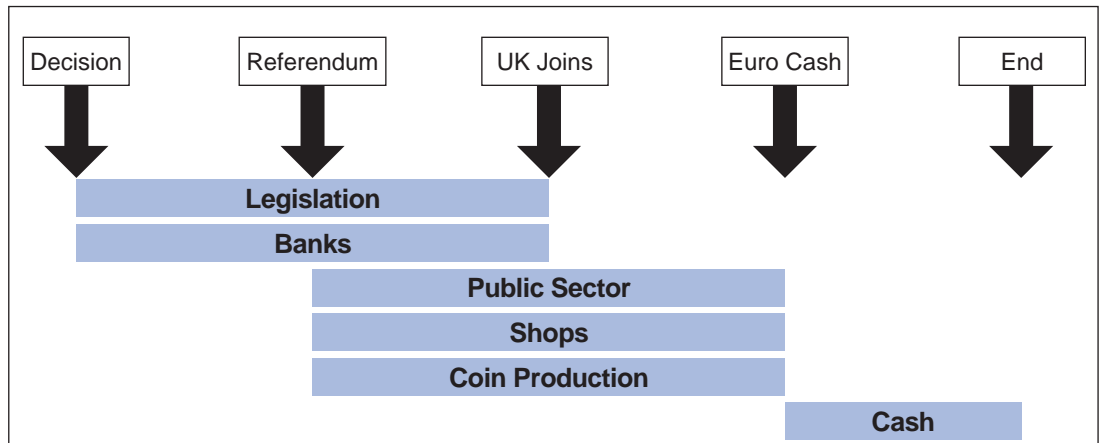
3.3 Critical path for the UK

1. The key stages in the changeover are:
 - a Government decision to join the single currency;
 - a referendum;
 - joining (when sterling would be irrevocably fixed against the euro);
 - the introduction of euro notes and coins;
 - the end of the changeover when sterling would be withdrawn.
2. A key aim of the work on the changeover has been to estimate how quickly each of these phases could be completed in order to develop a critical path for the practical aspects of UK entry.
3. At this stage it is not possible to indicate exact timings but it is possible to give a broad indication of the time needed for the changeover as a whole and to set out the further work that would be needed in order to establish the shortest periods for each stage in the process. The detailed chapters of the Plan outline these processes in more detail. The following section is a brief description of the emerging critical path.

Period before a decision to join

4. The length of time between now and a decision to join will be determined by economic issues and in particular progress against the five economic tests identified by the Chancellor. The Government's policy on this and the process that would need to be followed with our EU partners is described more fully in Chapter 2.
5. However the amount of pre-planning and practical work that takes place between now and a decision to join will be crucial in determining how quickly things could move forward thereafter. In particular the revenue departments and the retail banks would both need to be in a position to meet the increasing demand by businesses for services denominated in euro as well as sterling. Further modelling work is needed to assess the expected pace of this increase in demand, and the implications for the timing of when sterling would be fixed irrevocably against the euro.
6. As the rest of the Plan makes clear therefore, a great deal of work needs to take place in all sectors from now on in order to ensure a smooth and timely changeover if the UK decides to join. The Treasury's Euro Preparations Unit (EPU) is setting in place a series of working groups to help to take this forward (see Chapter 9). However it is essential that work is progressed most in those sectors which drive the key timescales in the changeover process (see Fig. A below).

FIGURE A



From a Government decision to a referendum

7. If the Government decides to recommend joining and Parliament agrees, then the speed at which the UK could move to a referendum would depend on how quickly the practical arrangements for a referendum could be put in place. A referendum bill would need to be taken through Parliament and decisions reached on detailed arrangements for a referendum campaign. Assuming a campaign would be similar in length to an election campaign, and that the Government decision takes place at a time when Parliament is sitting, the minimum period in which the UK could move from a decision to a referendum is probably about 4 months.

From a positive referendum result to joining

8. A number of factors would influence the speed with which the UK could move from a positive referendum result to joining (when sterling becomes fixed irrevocably against the euro). The European Commission and the European Central Bank would need to report to the Council on whether the UK economy had achieved a high degree of sustainable convergence with the euro area. These reports would form the basis of a decision on whether or not the UK met the necessary conditions to join. The Council would also need to take other decisions necessary to enable the UK to proceed to membership. Further legislation would also be needed to ensure the statutes of the Bank of England met the requirements of the Maastricht Treaty.
9. The speed at which the UK could move at this stage may also depend on the state of preparedness of key sectors of the economy. As indicated above, those parts of the economy which deal directly with business would need to be able to cope with a peak in demand for services denominated in euro as well as sterling. As explained in Chapter 4.2 the retail banks might need up to 3 years to prepare for this, though this includes both a planning period and a period of intense investment. The revenue departments (Inland Revenue and Customs & Excise) may need a period of preparation followed by 12-18 months of investment to prepare for dealing with euro declarations, payments and repayments at the point of UK entry. The

wholesale financial markets would need to switch to euro at the date of joining and expect that preparations would take them around 12 months. The lead times would be determined in part by the expected take up of euro services early in the transition. Further work is needed to assess what this means for the timing of joining the single currency.

10. At this stage, therefore, the Plan concentrates on the timing of the period from a yes vote in a referendum to the introduction of notes and coins as this is the crucial period for many sectors, but the Government will report further on the period between a referendum and joining once it has taken forward detailed work including:
 - further analysis of when demand for euro services will grow to the extent that new systems need to be in place in both the retail banks and the revenue departments and how this interacts with the point of joining;
 - further assessments of the time needed for preparation, and the signals that will trigger investment. (The Government is aware that the private sector will look to the public sector for a lead in this);
 - consideration of the economic issues which might lead the UK to move quickly or move slowly at this stage.

From a referendum to the introduction of notes and coins

11. For most sectors of the economy the key period would be that between absolute certainty of entry ie: a positive referendum result and agreement with our EU partners, and the introduction of notes and coins. All sectors would need to prepare over this time but the ones that would dictate the overall timescales the UK would follow are the retailers and utilities, key parts of the public sector, and those involved in the process of producing and distributing euro notes and coins.
12. The switch from the use of sterling to euro across the UK would be a major exercise for retailers and consumers alike. Changing tills and IT systems, staff training and consumer education would be a major task. Not surprisingly views on the length of this period vary from 18-24 months for larger firms supplying the retail sector, to no more than 30 months for utilities and up to 36 months for the larger retailers. All however accept that these are initial estimates and could be reduced if there is more certainty about how the process would work.
13. In the public sector the larger departments – Social Security, Inland Revenue and Customs & Excise – need a total of up to 4 years to prepare IS/IT systems for the introduction of notes and coins. This includes discrete phases for planning and design, piloting, testing and implementation.
14. Similarly the Royal Mint would require up to 30 months to produce sufficient coins. Printing of notes is a shorter process.

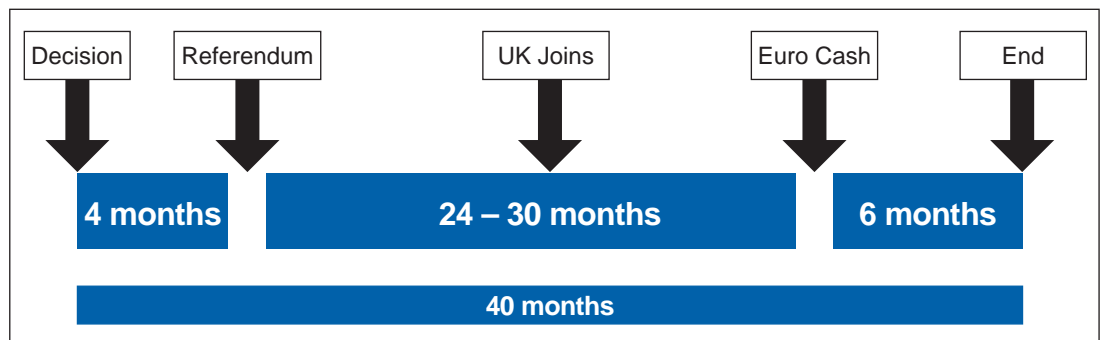
15. Provided that detailed work is taken forward now on how retailers, suppliers and consumers would manage the changeover process, and that the public sector also takes forward key planning and preparatory work Government believes this part of the changeover process could be completed in 24-30 months.

From the introduction of euro notes and coins to the withdrawal of sterling

16. Current thinking is that the period for which both sterling and euro circulate in cash form should be 6 months, in line with the initial advice of the BAG. The majority of the participating Member States are working to ensure that the dual circulation period is as short as practicable to avoid confusion for consumers and to minimise costs for business. Most countries now favour a period of around 2 months. However the key would be to ensure that effective arrangements are in place to ensure the move to euro use happened quickly and smoothly. The length of the actual period should be less of an issue.

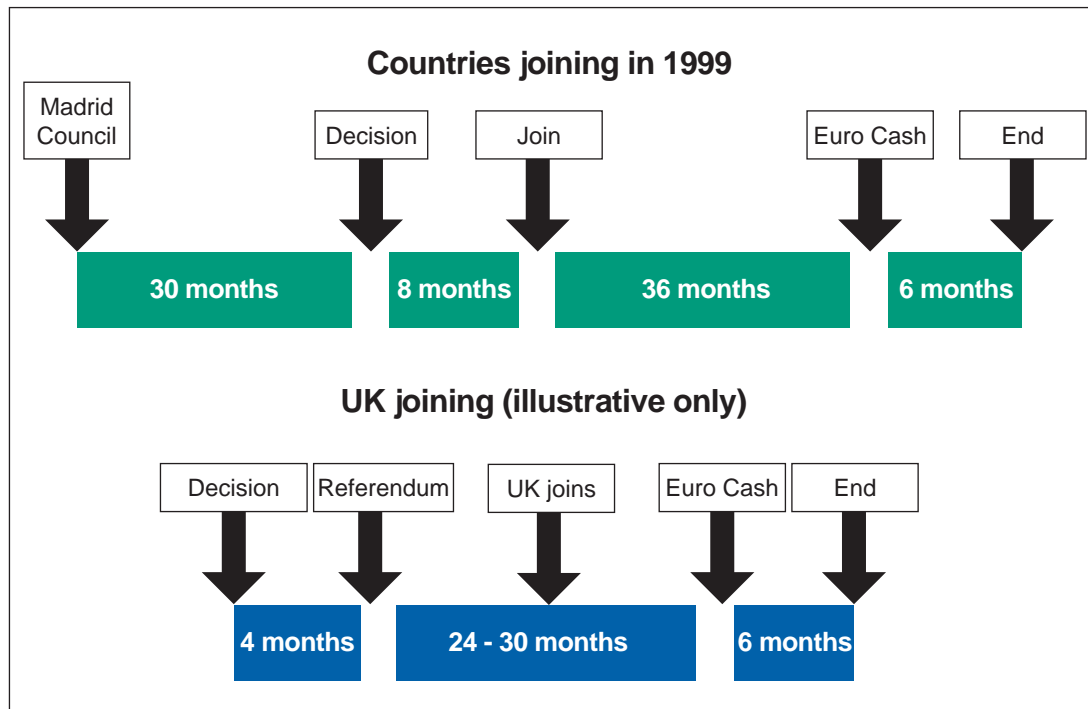
Overall Timetable

FIGURE B



17. Overall therefore Government believes that the total changeover period in the UK from a Government decision to join to the withdrawal of sterling, could be completed in 40 months or less (see Fig. B above). This would be considerably faster than the total period for first wave countries (see Fig. C below).

FIGURE C



Time of year effects

18. The Plan does not attempt to put calendar dates to the critical path at this stage. However the time of year when key stages are reached could impact on the speed at which the process could be completed e.g. legislation could only be processed quickly if Parliament was in session, and there are very strong arguments for ensuring that notes and coins were introduced in February when the level of retail business is at its lowest.

Further work

19. This section represents a first attempt to put together a critical path for the UK. It gives an indication of likely timescales but has also helped to identify key areas where further work is needed. The Treasury's EPU has already had extensive consultations with the sectors and organisations who helped to draw up this initial timescale, but Government hopes to produce a more complete timetable following:
- further work with the banks and revenue departments to assess the level of demand for euro services so that the UK can reach conclusions on the optimum timing of joining following a referendum decision;
 - a clearer assessment of public sector issues and the role of the public sector in influencing euro demand, and in giving a lead to the private sector on investment decisions;

- detailed work with retailers, suppliers and consumers on how best to manage business relationships and protect consumer interests during the changeover, including developing a code of conduct for this part of the process to help provide greater certainty in planning and timescales.
20. Overall it is clear that the more certainty there is about how the changeover process would be managed the easier it is for sectors to prepare, as timescales become shorter, and costs are reduced. The Government is therefore committed to moving forward the planning process and to issuing an updated plan, with more clearly defined estimates on the time periods in the critical path, once this work is complete.

CHAPTER 4

How businesses make the changeover

4.1 Introduction

1. There are over 3.5 million businesses in the UK, ranging from self-employed individuals to some of the largest multinationals in the world. Each firm would need to develop its own approach to the changeover. Later sections of this chapter look at some of the issues which particular sectors would face. This first section gives an overview of the general issues that all businesses might face. It also includes a case study, based on an SME.

The position before the UK joins

2. Many firms will want to use euro as a second currency while the UK remains out if that helps them to retain existing customers or attract new ones. This trend can affect even purely domestic businesses. A number of exporters to markets which now use the euro have already stated a preference for dealing with suppliers in euro.
3. If the trend is extensive, many firms would already be used to dealing in euro by the time the UK joined. This does not mean that no additional work would be needed but it would place them at a significant advantage. Such firms would also have the advantage of having already adjusted their marketing strategies to a world in which 290 million consumers share a single currency; where prices can easily be compared across geographical boundaries; and where new competitors can more easily enter markets.

Changeover issues

4. At the very least all businesses would need to adapt their systems to the euro and consider the impact of the euro on business strategy. These two issues are linked – for many firms, investment in new systems would be a significant sum so the decision about when to adapt systems would be an important strategic decision.

SYSTEMS

5. The difficulty of converting systems would vary greatly depending on size and complexity. Many smaller businesses use 'off the shelf' systems or have service providers and would therefore have ready access to support. Businesses with larger, bespoke systems would face more intricate challenges.
6. Although large and small businesses face investment decisions of a very different scale, the principles are the same. The decision by a small firm to invest £2,000 in an upgraded computer is just as important to that firm as the decision by a multinational to invest many hundreds of thousands of pounds in converting its systems. Both would need to watch their markets and competitors closely and decide the best time to act.

IMPACT ON BUSINESS STRATEGY

7. The most obvious impact on business strategy would be that businesses would need to budget for the cost of the changeover, which would include the cost of adapting systems. Firms would also need to train staff and keep customers informed.
8. And for many businesses, the impact would go much wider. They would need to review pricing and marketing strategies. At the most basic level this would mean converting prices into euro. But in a world with increased price transparency, the euro could mean a decision to move into new markets or adopt new sources of supply.

SUPPORT DURING THE PROCESS

9. Small firms rely to a great extent on their bankers, accountants, lawyers and on business support organisations, such as Business Link and its equivalents in Scotland, Wales and Northern Ireland. These organisations would have a key role to play in supporting small firms through the changeover process, in particular helping them to develop and implement a conversion plan.
10. The fortunes of large firms and their smaller suppliers are closely interlinked with each dependent on the other. There are strong arguments for encouraging corporate customers to play an active role in leading their suppliers through the changeover process.

Case Study: SME in the Engineering Sector

Characteristics

1. The engineering sector represents an important segment of the UK economy, accounting for 8% of Gross Domestic Product, and employing 1.7 million people. 50% of all engineering exports are to the EU. Historically, the sector has been vulnerable to fluctuations in the value of sterling.
2. This case study is based on a manufacturer of components for the auto industry. This industry is typified by excess capacity in the marketplace, and stringent regulatory requirements designed to reduce exhaust emissions, improve fuel economy, and enhance safety. In common with other SMEs in the sector, average margins are low.
3. The company has two main areas of operation:
 - 25% of trade is with major car manufacturers. These customers are based in the EU, as well as the USA;
 - 75% of trade is with the car spares and accessory market, including a significant number of UK SMEs. Market research undertaken some time ago suggested that penetration into the EU market for spares and accessories would not be cost effective because of the costs of transportation, exchange rate risk and transaction costs.
4. Two major domestic suppliers provide most of the raw material input, although one specialist supplier is located in Germany. The firm currently invoices in sterling. The company is typical of many SMEs with a small number of employees, and limited resources in terms of manpower and finance to manage the changeover process.

Business issues

5. The major car manufacturing customers are likely to determine the timing of the firm's own conversion to the euro, and it is possible that the firm will have some ability to trade in euro prior to any decision being taken on UK entry. The firm must maintain close relationships with these customers to establish their particular needs and requirements.

6. The firm has the added issue that its large international customers may already be trading in euro, whereas its smaller customers in the UK who are domestic firms, may not have made any preparations prior to a decision being taken for the UK to join. The introduction of the single currency may lead to new market opportunities.
7. The firm will also need to establish when its key suppliers are likely to convert to the euro as this will have a major bearing on their own changeover plan. Their specialist supplier in Germany may already require payment in euro, having negotiated a switch from sterling when the euro was formally introduced.

Planning

8. The company's first task has been to assign responsibility to a key individual within the firm, who is working with senior colleagues to establish how the single currency will impact on the various aspects of the business, including customers, competitors suppliers and internal systems.
9. Once this impact analysis has been undertaken, this EMU project manager will draw up an action plan. This will include information on the key timings and the relevant costs of implementation.

Making the changeover

10. Here are some essential changeover activities:
 - *Customers and suppliers:* the company would need to contact both customers and suppliers to determine their particular needs, and to establish their timetable for converting from sterling to the euro.
 - *IT systems:* the firm may have to operate dual currencies shortly after the introduction of the euro. The firm may also wish to continue to account in sterling for part of the transitional period, and therefore would need to introduce currency 'converters' to allow for transactions such as invoicing and billing to be done in euro. Depending on the changes required, a medium sized firm may need to make changes to up to 80% of its IT systems which might take between nine to twelve months at a single site. Additional changes will be required during the transitional period and prior to the introduction of notes and coins, to payroll systems.

- *Pricing*: shortly after joining the single currency, it would be necessary to establish stable prices in euro for car manufacturing customers. The remainder of the business would be transacted in sterling until the appropriate changeover date. Before changeover, a major communication exercise would be required to notify customers of the new euro pricing, and to make the necessary changes to price lists, and marketing communications.
 - *Accounting*: prior to any decision being taken on UK entry, the business would be likely to continue to account in sterling. If a decision is taken to join, the company might need to make plans prior to the UK entry date to facilitate the transition of accounting functions, such as the conversion of open ledger accounts.
11. The firm would also need to manage the changeover for both statutory and management reporting, and consider gains and losses from foreign exchange and asset revaluation. Conversion of statutory and management accounts would be likely to take place during the transitional period before the introduction of euro notes and coins.

4.2 The City of London

1. This section gives an overview of the City; a description of the main changeover issues; and next steps.
2. The City is a group of sophisticated financial markets which, although separate, work together to offer mainly corporate clients a range of integrated products. These markets are underpinned by a financial infrastructure which enables payments to be made and transactions settled.
3. London is one of the three top financial centres in the world, alongside New York and Tokyo. It has more foreign banking institutions than any other financial centre. It handles almost a quarter of cross-border bank lending and is the world's leading centre for foreign exchange business with around a third of the total.
4. Because of its international focus London is affected by the introduction of the euro, regardless of whether the UK joins. It has been preparing for a long time. From the beginning of this year, it has been able to quote prices in the full range of euro-denominated financial instruments; to make the associated wholesale euro payments; and to settle the full range of euro-denominated securities.

Changeover issues

5. However, a considerable amount of work would still be needed were the UK to join. The Bank of England and commercial lenders would need to adjust their operations to fall in with the European System of Central Banks; Government debt would need to be redenominated and individual institutions would need to undertake further complex work to systems.
6. The Bank of England has been leading a project to identify the issues which would be involved in UK entry and how these might best be tackled. Its full report, *'The Changeover from sterling to Euro in the Wholesale Markets'* will be included in the next edition of its *'Practical Issues'* publication.
7. Participants in the wholesale markets estimate that, in general, this additional work would take around 12 months. The main exception to this is the need to develop the inter-bank payment system 'CHAPS'. Were the UK to join the single currency, the euro system would need to be expanded to cope with an increase in euro transactions from an estimated 15,000-25,000 payments per day to perhaps 170,000. A number of options are being considered for managing this change, but initial indications suggest lead times of around 24 months.

8. Different City institutions would face different challenges. For example:
 - The Government would need to consider converting gilts on, or very shortly after, UK entry.
 - Those issuing and dealing in sterling securities would need to consider in each case whether, and if so when, to redenominate the face value of instruments; convert cash flows; change conventions (for example, the number of days used in calculating interest); and convert prices.
 - The London Stock Exchange does not think that any further changes to listing or prospectus requirements would be needed as a result of UK entry. Some small changes to Stock Exchange rules may be necessary.
9. The work carried out by the Bank of England suggests that any transition period after entry should not be shorter than 12 months, to allow the bulk of outstanding sterling transactions to run off. To enable complex systems changes to be completed with minimal disruption to trading it has suggested that entry should be timed to avoid any periods of high market activity (such as quarter ends).
10. All wholesale markets depend at some point on a retail interface with a client – for example an investor receiving a dividend or a company raising funding. There is therefore a strong connection with retail financial markets.

Next Steps

- The Bank of England will take the lead in further planning and report progress.

4.3 Retail Financial Sector

1. This chapter sets out an overview of the sector; a description of changeover issues; and next steps.
2. The retail financial sector provides services which are essential to business and personal life. Companies need an efficient and reliable means for paying suppliers and staff. Individuals need mortgages to buy their homes and insurers to protect them. Investors need access to savings products that they understand and trust.
3. There is a high degree of interdependence both within the sector and with other areas of the economy. The huge volume of payments between the customers of different banks means that close co-ordination is essential. Many building societies are customers of the high street banks and rely on them for payment services. The wholesale financial markets need reliable links with investors and borrowers. Insurance companies often collect their premiums direct from the bank accounts of policyholders.
4. The sector includes a range of types and sizes of business, each facing different challenges in preparing for possible UK entry. As well as offering attractive products, financial service institutions would need to make sure that existing and potential customers understood the impact of a whole range of economic and commercial developments on those products.

Changeover issues

5. The sector is dependent at every level on IT systems which would need to be adapted. In some areas, firms have invested in reasonably flexible systems. Elsewhere, most notably in banking, core systems are older and present greater challenges.
6. Staff training and customer communication are vitally important, but follow shorter lead times – there would be little point in carrying out significant training in, for example, the operation of cash machines two years before the introduction of notes.

BANKS AND BUILDING SOCIETIES

7. One of the key distinguishing features of UK retail banking activity is its concentration within a relatively small number of institutions. More than half of all accounts are held at commercial banks (compared with 25% in Germany and 32% in France) and this rises to 88% if building societies – most of which are themselves customers of the banks – are included.
8. This means that the banks not only handle large volumes of transactions, but also have to provide a very broad range of services. Behind each standing order, direct debit and credit card transaction lies a complex system which would need to be converted to euro were the UK to join.

9. For many of the major UK banks converting these systems to provide services in euro as well as sterling would be a major task. This is not simply a question of the size of the systems, but their structure. By and large the UK clearing banks have core systems which were originally built in the 1960s or 1970s but which have since been expanded over the years as services have become more sophisticated. The systems are very good at what they do, but are quite difficult to adapt.
10. All of this means that overall lead times for the retail banks could be quite long – in some cases they estimate up to three years. Furthermore, those banks serving the business community would need to be able to deal with the growth in demand for services denominated in euro as well as sterling.
11. Building Societies would face similar issues to banks, especially the larger institutions which also handle large volumes of transactions.

PAYMENT SERVICES

12. The retail financial sector depends on robust, efficient and flexible money transmission systems. To a degree these were in place for 1 January 1999. There is, for example, a cheque clearing system for euro transactions. Similarly, a BACS system for euro-denominated credits became operational on 4 January 1999 with demand for a direct debit system being kept under close review. However, payments systems would require considerable further enhancement.

INSURANCE COMPANIES

13. Some insurance companies face similar systems problems to those of the high street banks. The nature of their business, however, raises particular issues in relation to communicating with customers. First, they tend to have relatively infrequent contact with their customers. Second, the contracts which they enter into are essentially long term: at any time they might be asked by a customer or agent to look back 20 or 30 years over the history of a policy. Third, many of their dealings with customers are when policies fall due for payment: a time when (by definition) those customers are elderly, recently bereaved or vulnerable in some way. Insurance companies are looking at these issues very closely.

Next Steps

- Improve understanding of how banks might approach the conversion of core systems. Detailed work to be taken forward by the British Bankers Association, APACS, the Bank of England and the Treasury.
- Further analysis of the likely growth in demand for euro services (the public sector shares an interest in this work).

Case Study

The following case study looks at the particular issues that would face a retail bank.

Case Study: Retail Bank

Characteristics

1. A high street bank may have more than 10 million accounts on its books, and handle over 10 million transactions every day. It needs to be able to handle these volumes quickly and reliably to maintain the confidence of its customers.

Business Issues

2. Banks would face two key issues:
 - to convert operating systems, first to allow dual currency operations during the transition phase, and then switching to euro when notes and coins are introduced; and
 - to maintain the confidence of customers by a thorough programme of staff training and customer communication.

Planning

3. Most banks have been heavily involved in preparing for the launch of the euro. While the euro is a foreign currency demand for euro services is likely to be confined to business customers. However, were the UK to join, the banks would have to carry out significant systems work to cope with demand from personal customers. This is the issue with the longest lead time, and involving the highest level of investment.
4. The planning process needs to keep work on systems in line with that on customer service and communication. Each bank will have to decide what services its customers would need at each stage of the changeover process and plan accordingly.

Making the Changeover

5. The first decision a bank must make is how it would enable customers to use euro and sterling during the transitional period; and then how it would transfer accounts to operate only in euro at the end of the changeover process. A bank may, for example, decide to offer its customers the ability to retain their original accounts, but to use them for both euro and sterling. One technical solution would be to

retain a sterling base for all accounts, but to add a series of converters to show euro equivalents.

6. Whilst convenient for the customer, this system is likely to produce bank statements which look very different to those they are used to. Some customers – particularly those who are unused to dealing with different currencies – would need to be helped through the conversion process. All banks would need to maintain customer confidence.

4.4 Retailers, Utilities and Consumers

1. This chapter looks at the issues facing the sector; planning for the changeover; timetable for the changeover; consumers and their concerns; and next steps.
2. The changeover in the retail sector would be crucial to the success of the project as a whole. Retailers are in the front line:
 - all retailers would need to devote significant time and resources to the changeover.
 - many larger firms would find adapting their complex IT systems the most challenging task. Training too would be a major issue for firms employing tens or even hundreds of thousands of employees.
3. To be successful, retailers would need good planning and thorough preparations, effective communications with staff, and a well thought-out and presented approach to customer information and pricing.

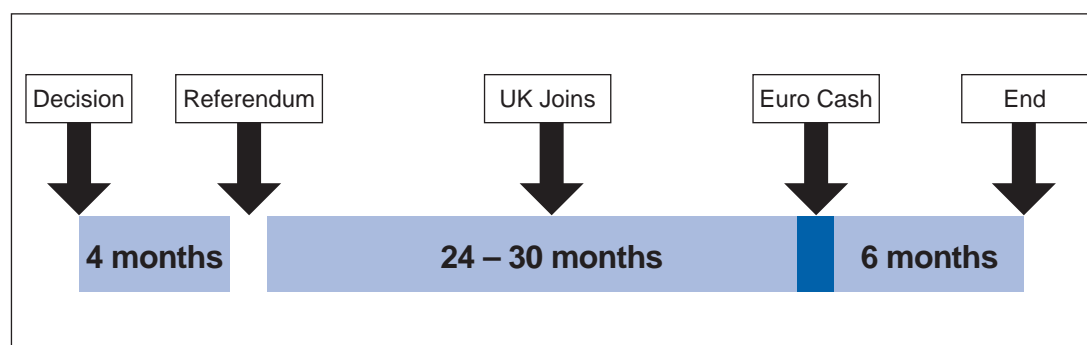
Planning for the changeover

4. Retailers would need to focus on three key dates: the joining date; the date for introduction of notes and coins; and the date for the withdrawal of sterling.

THE JOINING DATE

5. From that date, and throughout the transitional period (the period up to the introduction of notes and coins), an increasing number of customers would be likely to ask to pay for their purchases using euro as an “electronic currency”, for example using debit and credit cards and cheques drawn on euro accounts.
6. Representative organisations in the retail sector, such as the British Retail Consortium (BRC), have begun discussions with the Association of Payment and Clearing Services (APACS) about how to handle this period. In practice, whether a retailer processed such a payment in sterling or euro would make no difference to the customer because of the fixed conversion rate.
7. Retailers would also need to decide how to deal with euro notes and coins from the first wave countries that customers might want to use in UK shops during the transition period. This would be before euro cash was formally introduced into the UK. Again, it is an issue that has been the subject of discussions between the BRC and APACS. Whilst there would be no compulsion upon retailers to accept such payments, some shops might offer this facility in order to accommodate customers’ wishes.

INTRODUCTION OF NOTES AND COINS



8. The task of introducing a completely new stock of notes and coins and removing sterling, in a short period of time, would be a major challenge for retailers and consumers alike. This is the time when all payments could be in sterling and/or euro and when change would frequently have to be calculated correctly in a different currency from that tendered.
9. Retailers would need to work closely alongside the banks to co-ordinate policies on services and information. They would also play a full role in discussions on the distribution of euro cash and the withdrawal of sterling.
10. There are strong arguments for introducing euro notes and coins in mid-to-late February, because this is the quietest time in the retail year. Finding time for staff training would be easier and the amount of currency in circulation would be at a seasonal low.

THE DATE BY WHICH STERLING WOULD BE WITHDRAWN

11. The great majority of UK retailers would like the dual currency period to be as short as possible.

Timetable for changeover

12. The main constraint on the pace of the changeover in the sector would be the task of converting the sophisticated IT systems operated by larger retailers and utilities.
13. Views vary as to how long this process would take, and on what the implications are for the changeover timetable. Many utilities favour a period of no more than 30 months between a referendum result and the introduction of euro notes and coins. Larger retailers, on the whole, would prefer a longer period for planning purposes of around 36 months. Larger firms supplying the retail sector believe that an 18-24 month period would be preferable.
14. These estimates are based on initial planning. The true scale of the task of converting many firms' systems would only become clear once it was actually underway (although the UK can learn from the first wave countries). Moreover, the position for individual firms is likely to vary widely, depending for example on the extent to which they had adapted systems as a consequence of 1 January 1999.

Many firms are already judging it prudent to take account of the possibility of future UK entry in their existing IT and other projects, in order to facilitate the changeover at a later stage.

15. There is consensus that early knowledge of the arrangements for the changeover, such as key dates, legislative requirements and the terms of voluntary agreements, would make it easier for retailers to convert quickly. This is well recognized by the Government and reflected in proposals for further work.

Consumers and their concerns

16. Consumers would inevitably look to retailers for help to adapt to the new money.
17. The issues would run deeper than simply the practicalities of changing over currencies. Most people in the UK have a sense of value based upon sterling and would need to get to grips with a new set of euro values. For example, those used to paying £2.99 now for a supermarket ready meal would take some time to understand whether they were getting a better or worse deal by paying, say, €3.99 for a similar product.
18. Consumers might also worry that some shops would take advantage of their unfamiliarity with the new currency and use the changeover as an opportunity to put up prices. Certain types of consumer, for example the elderly and visually impaired, could find the changeover particularly challenging. Retailers would have a crucial role to play in maintaining consumer confidence. They would need to meet the varying needs of a wide range of customers.
19. Consumers would need straightforward, clear information that was widely available. They would also need well-informed staff to whom they could turn for advice, making an effective and timely programme of staff training vital. Conversion charts would help. So too would a period of at least partial dual pricing during the dual currency period and in the lead up to it. The most appropriate approach to this however would be likely to vary between different types of retail outlet. For example, what would seem sensible in a car showroom would probably not work as well in a supermarket. Nevertheless, seeing an equivalent euro amount for at least the total of their weekly shopping bill for some time before euro notes and coins arrived would probably be helpful to customers.

IS THERE A ROLE FOR REGULATION?

20. There has already been much debate in the UK about consumer information and euro pricing during any changeover period. Part of this debate has focused on whether there is a role for regulation, and if so what form that regulation should take; or alternatively whether a voluntary approach alone would work. It will be an area where the UK will be able to learn from the experiences and approaches of the first wave countries. Whatever approach were followed, protecting consumer interests and maintaining public confidence would be paramount.

21. The concept of a UK code of practice to help consumers, retailers and suppliers over the changeover period has already been proposed. Responsible retailers would have every interest in helping their customers during the changeover. A well publicised and widely accepted code of practice could help.
22. To date, of the first wave countries, only Austria has proposed legislation in this area (smaller firms may be exempt from this – at the time of writing details are yet to be finalised). Other states are relying on the effect of competition or voluntary codes of practice, including one brokered by the European Commission for the whole of the euro area.

Next Steps

- Government to support the development of a UK code of practice. The BRC has agreed to take a lead on this. Other organisations which have expressed an interest include the National Federation of Retail Newsagents, the Mail Order Traders Association, the Food and Drink Federation, the CBI, the major utilities, the British Hospitality Association, the Brewers and Licensed Retailers Association, the RNIB, the Local Authority Coordinating Body on Food and Trading Standards, and consumer groups. The BRC and others view the priority task as being to develop a set of core principles to apply across the retail sector, with the focus on consumers. To take this work forward they are organising a workshop for all key groups in Spring 1999.
- BRC to continue dialogue with APACS and retail banks on the cash changeover, payment systems issues, the coordination of consumer information and other matters of common interest (workshop to be held in April 1999).
- Government to review, in consultation with other interested groups, approaches to consumer education and protection in the first wave countries, and to observe any developments at the EU level.
- DTI to discuss with the Mail Order Traders Association specific issues relating to catalogues.

Case Studies

The following case studies look at the planning and changeover issues likely to be faced by: a large supermarket; a corner shop; a mail order retailer; and a utility.

Case Study: A Large Supermarket

Characteristics

1. A typical supermarket chain has stores across the country. It sells a wide range of groceries, household goods and clothes. Customers pay for their goods using a variety of methods, including credit and debit cards, cheques and cash.
2. In order to manage effectively a constantly changing product range of perhaps 25,000 items, in so large and geographically dispersed an organisation, complex IT systems are needed. For example, stock management systems are closely linked with sophisticated electronic cash till systems at the point of sale. This enables effective co-ordination of product prices which may change as a result of market conditions and special offers on a daily basis.

Business Issues

3. A large supermarket would have to address a number of issues on the changeover:
 - it would want to minimise costs whilst maintaining standards of customer service;
 - it would want to be able to respond flexibly to customer demands to use the euro and to help its customers adapt to the new money;
 - it would want to avoid the perception that the changeover was being used as an opportunity to raise prices.

Planning

4. The size and complexity of a supermarket chain makes advance planning and effective project management essential. Firms will already have appointed an EMU project manager, probably reporting directly to a Board Director with responsibility for euro issues. This project manager should be responsible both for advising on the strategic decisions that must be taken at Board level and for co-ordinating planning at an operational level. A priority would be to develop an outline corporate plan for the changeover. A major issue for supermarkets is the lead times involved in converting the IT systems from sterling to the euro, and the allocation of resources for this task.

Making the Changeover

5. The strong customer focus of such a business would make customer information a priority. Whilst looking to others, such as the Government and banks, to provide basic information for consumers, supermarkets would nonetheless have a key role in helping their customers adapt. It would be in their own commercial interests to do so. Many people would be wary of the new money and would take some time to get used to new euro values. Customer information could take a number of forms: from posters and leaflets to equivalent euro prices being given on products and against the total on till receipts.
6. Most supermarkets would view the biggest communication task as being in the lead up to the introduction of euro notes and coins. At this stage shops might provide comparable price information in euro for all best selling products and special offers. They would certainly want to communicate clearly to customers their plans for accepting payments and giving change during the dual currency period. At a given point, lead pricing would need to switch from sterling to euro.
7. Some customers would find the change of currency especially challenging, such as the elderly, those with learning difficulties and the visually impaired. Supermarkets would want to consult key representative groups to make sure that their communications met the needs of all their customers.

INFORMATION TECHNOLOGY

8. One supermarket chain has estimated that the conversion could take 3 to 5 times the number of man-days needed to deal with the Millennium. Another, that converting a major system, including testing and staff training, might take two years. However an accurate assessment of the task would probably only be possible once it was actually underway. Further, both for resource and technical reasons, work of different systems would in practice need to be staggered.

STAFF

9. For a company which might employ over 100,000 people, full-time and part-time, staff training would be a major issue. Staff would need to be well briefed to respond to customer enquiries, and those in functions such as treasury, accounts and procurement would need to be clear on new procedures and requirements. The most intensive and extensive period of training would be needed for the introduction of euro notes and coins.

10. Some supermarkets are already using staff newsletters to communicate with employees on the implications of the euro, and would continue to do so during a changeover period.

MARKETING AND PRICING

11. A switch to the euro would bring a need to review marketing and pricing strategies. For example, companies would need to consider the implications for product price points (e.g. £2.99). Attractive sterling price points would be unlikely to convert to similarly attractive euro price points. In the short term, an equivalent euro value would be given against a sterling price with the conversion carried out exactly in accordance with the legally fixed exchange rate. In the longer term however most firms would want to move to more convenient euro price points.

RELATIONSHIPS WITH SUPPLIERS

12. All parties in the supply chain would be keen to co-operate to keep costs to a minimum. There are issues, such as the date on which invoices and payments would switch to euro, where a co-ordinated approach would help. The impact upon IT systems and processes of dealing with suppliers in two currencies would be significant.

OTHER ISSUES

13. Other issues that would need to be settled, in part through wider industry activities, include reaching agreement on new electronic data interface (EDI) standards accommodating the euro and on the handling of coupons.

Case Study: A Corner Shop

Characteristics

1. A small corner shop sells a variety of groceries and household supplies. Its customers tend to live nearby. A high proportion of transactions are in cash, although credit card payments are also probably accepted. It may use a basic 'off the shelf' till. Prices may be marked up manually using a pricing gun. In addition to the shop owner, there may be a few full-time and part-time staff.

Business Issues

2. A shop owner's main issues during the changeover might relate to resources. Would the existing cash till be able to cope with the new currency? There would be a need to consider how best to cope with the period when both sterling and euro notes and coins would be in circulation.

Planning

3. The shop owner might get information on the euro from a variety of sources, including Government, retail banks, suppliers and trade associations. The emphasis on local customers and cash payments might make it sensible to focus changeover activities closer to when euro notes and coins would be introduced. Lead times would be shorter than for the larger retailers, such as supermarkets.

Making the Changeover

CASH TILLS

4. The owner may well decide that it would not be necessary to operate fully in two currencies at any stage. Rather, on a given date the shop could simply switch over from giving change in sterling to giving change in euros. This might be on, or shortly after, the date that euro notes and coins were introduced in the UK.
5. Many small shops might view the changeover as a good time to switch to a more modern, computer-based cash till. If so, it might be sensible to wait until an 'off the shelf' product was available that could be used to price either in sterling with a euro equivalent figure against the total or in euro with a sterling equivalent against the total.

PRICING AND CONSUMER INFORMATION

6. Small shops could expect a wide range of information material on the euro to be available, such as conversion rate posters. Some of this might come from suppliers. In practice, in the lead-up to the introduction of euro notes and coins, this might mean marking up products with an equivalent euro price and then completing the task in one big effort at a given date soon after euro notes and coins arrived.
7. Directly converted euro prices would not, on the whole, result in the convenient and psychologically attractive figures (£1.99, etc) that they were in sterling. Nonetheless, the shop might plan to stay with the less convenient figures in the short term and only change to new euro price points over time. The overriding aim would be to be helpful to customers.

RELATIONSHIPS WITH SUPPLIERS

8. Early on the shop would want to establish arrangements for paying bills and being invoiced by suppliers at various stages in the transition. There would be a need to find out when suppliers were changing to euro pricing and invoicing, and how this fitted in with the shop's own plans. Suppliers may take the initiative here.

STAFF

9. Training would be important at various stages in the changeover, but particularly before the introduction of euro notes and coins. Staff would need to operate the new procedures and able to communicate effectively to customers. Extra help might be needed for the high proportion of elderly customers who tend to use smaller shops.

Case Study: Mail Order Retailers

1. Pricing information in catalogues is complex. For each individual product there may be a cash price, a variety of possible credit terms and a total credit price given. Firms would need to find an effective way of presenting dual price information to customers. There is a specific issue where catalogues remained current both before and after the introduction of euro notes and coins.
2. Firms would also need to plan early. Catalogues often have long production lead times and life cycles. From first preparations to obsolescence may be as long as 27 months.
3. Home shopping firms rely heavily on the use of databases to deal with customer enquiries. A query received today may have its roots in something that happened months ago. Each firm would need to find a solution to the challenge of either converting its transaction history database into euro (in which case the value held in euro will not relate to the customer's written record), or having a mixture of euro and sterling values.

Case Study: Utility (A Water Supply Company)

Characteristics

1. This company supplies drinking water and sewerage services. It has over 8 million customers, ranging from households to small firms and large multinationals.

Business Issues

2. During the changeover a major issue for the company would be maintaining standards of customer service as billing and payment systems switched to euro. The company would want to be able to deal flexibly with demand for euro billing and payment, but at the same time be careful about controlling costs.

Planning

3. The company has already carried out an assessment of the strategic, operational and IT impact of the euro, and from this developed a changeover strategy and outline changeover plan. A new post was created to lead this work, Head of EMU Planning and Logistics reporting to the Group Finance Director.
4. The company believes that having a changeover strategy in place now will allow costs to be minimised. It will also enable business decisions to drive IT and process changes, rather than the other way around, and make it easier to achieve competitive benefits.

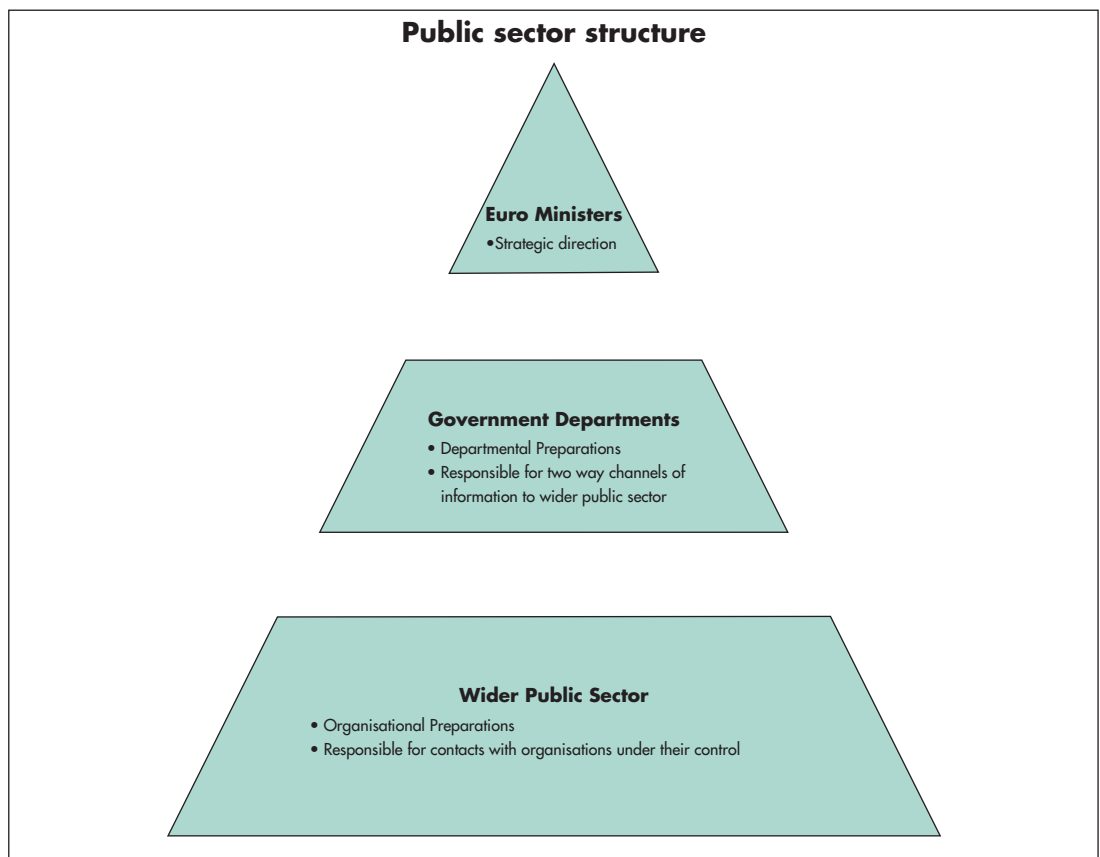
Making the changeover

5. From the start of the transitional period the company would accept payments in euro, as well as in sterling. Bills would continue to be set out in sterling, but with an equivalent euro figure included against the total. For the bill cycle starting immediately before the end of the transitional period, details would be set out in euro, with an equivalent sterling figure against the total.
6. At an early stage the company would need to set out, for its customers, suppliers, regulator, employees and shareholders, its plans for managing the changeover.

CHAPTER 5

Public authorities

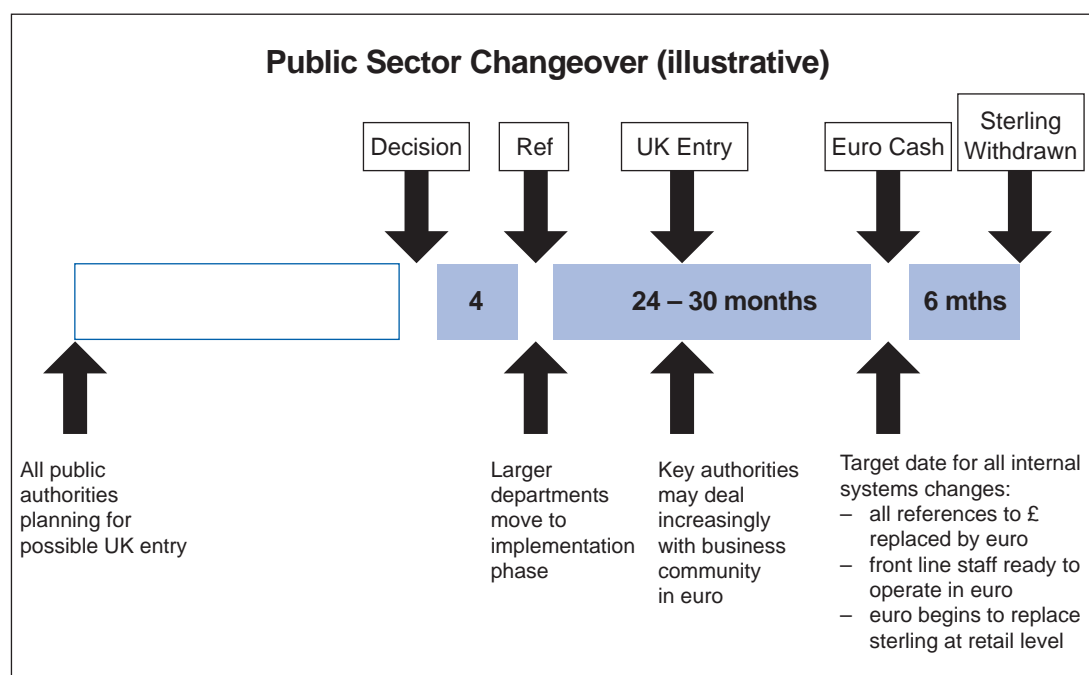
1. This section gives an introduction to the issues facing the public sector, identifying key milestones and lead times for the changeover.
2. The public sector would have a leading role to play in any transition to the single currency. It spends around 40% of the UK's income and covers a wide range of activities and services both for business and the wider community. The approach it took would be a key factor in determining the approach taken by all other sectors of the economy.
3. Every organisation in the public sector would be affected to some degree. And within each organisation, the impact would cover a broad range of activities – accounting systems, purchasing, provision of services and invoicing, payroll, publications, legislation on charges/fines/thresholds, information and education etc. As well as adapting internal systems to handle the new currency, organisations would need to explain these changes to their customers – individuals, businesses and voluntary organisations as well as other public bodies.
4. It would be essential for both central government and the wider public sector to develop a coherent approach to the changeover, presenting business and individuals with a clear and co-ordinated timetable for change. Preparatory work is already well underway. The diagram below shows the structure that has been put in place to help co-ordinate preparations throughout the public sector. All central government departments have nominated a euro co-ordinator and asked the other public bodies which they sponsor to do so. Currently there are around 1500 euro co-ordinators in place and this will continue to rise as more organisations begin to plan.



5. The initial aim has been to work with the largest government departments, as well as local government and the National Health Service (NHS), to determine the overall time that the public sector would require to make the switch to the euro. Other public authorities will now begin to prepare within the framework set by these larger organisations. At the same time, preparations in key organisations will be taken forward at a more detailed level.

Key milestones for the public sector

6. The diagram below indicates how the public sector's changeover might look. There are two key points at which certain functions carried out by public authorities would need to be switched in part or whole to the euro – UK entry and the introduction of euro banknotes and coins.



UK ENTRY

7. By this date, businesses in first wave member states might well be operating increasingly or entirely in euro. UK firms would be able to lock in the advantage that exchange rate certainty would bring. Businesses trading directly with non-UK euro area firms might see value in switching systems over to euro at, or soon after, UK entry. However, as euro notes and coins would not be introduced until the end of the transitional period, the public and businesses operating at the retail level would be less affected at this stage.
8. The impact on the public sector would vary accordingly. All public authorities would need to consider the impact on procurement and provision of services. However most affected would be those organisations whose core activity is to deal with the business community directly, for example Customs & Excise and Inland Revenue. Of course, it is not solely a matter for central government. If a firm were to transact with Inland Revenue and Customs & Excise in euro, it might well expect similar flexibility from its local Council.
9. The extent of advance preparations required to operate in euro would depend on the level of demand. The retail banks face similar issues. More detail on the banks' preparations can be found in Chapter 4.3. The preparation lead times depend on the profile of euro use through the transitional period and the time between the referendum and UK entry. These issues will be the subject of continuing work by the Treasury in co-operation with the business community, and particularly the retail banking sector. The experience of first wave countries will be helpful here.
10. However, for most public authorities, financial transactions and internal processes would be likely to remain sterling-based until the end of the transitional period, when euro notes and coins were introduced. Only then would the euro be extensively used by the public and at the retail level.

INTRODUCTION OF EURO NOTES AND COINS

11. By this date, all financial systems would need to be switched over to euro. All government procurement would switch to euro. The revenue departments would switch all tax literature, assessment forms, declarations, payments and repayments over to euro. Local Councils would do likewise with non domestic rates and the council tax. Tax thresholds and benefit levels would all be denominated in euro.
12. The Department of Social Security (DSS) would issue pensions and benefits in euro. DSS would have to liaise closely with other organisations, particularly Post Office Counters Limited, to ensure that payments issued could be cashed in euro. The length of time that large public sector organisations like DSS took to prepare for this date would be an important factor in determining how quickly the economy as a whole could switch over.
13. At the retail level, charges, levies and fines would by now be denominated in euro. Coin operated machines would need to be adapted, for example parking meters would begin to be changed to accept euro coins as sterling was phased out. More detail on these changes can be found in Chapter 6 on notes and coins and Chapter 4.4 dealing with retail issues.

Lead times and triggers

14. The lead times in the public authorities are largely determined by IS/IT changes.
15. The larger departments – the Department of Social Security, Inland Revenue and Customs & Excise would require up to 4 years to prepare IS/IT systems for the end of the transitional period and the introduction of euro banknotes and coins. This period is split between planning, piloting, testing and implementation. Much of this preparation can be carried out in advance of a referendum. For example, this planning can extend to piloting potential systems solutions to inform decisions about how best to implement the changeover. Departments are also able to build in euro compliance to any new systems or planned upgrades provided it represents value for money.
16. The largest organisations estimate that the initial – pre-implementation – planning can be carried out in around 18-24 months. This would leave a period of between 24-30 months for implementation and testing.

STAFF TRAINING

17. Public authorities would need to devote considerable resource to training their staff to handle new procedures and to explain these changes to customers. However experience shows that this training would best be carried out as close as possible to the time when it would be put into use. Thus, although an enormous task, the lead-times involved would be significantly shorter than for IS/IT development.

Next Steps

- The public sector will take a lead in planning so that the UK could make a quick and smooth changeover. The Treasury will continue its work with business, particularly the retail banks, to determine what euro facilities might be required from key public authorities during the transitional period and to estimate the profile of demand for such facilities.
- Progress in preparations throughout the public sector will be reported on a regular basis in the Treasury's six-monthly report.

A more detailed publication, including contact points in all government departments and reports on progress within each department and other key agencies will be produced for use within the public sector. The first of these reports will be published in the summer of 1999.

- Possible UK entry to the single currency has an immediate impact on IT procurement. Departments will build in the capability to deal with UK entry in new IT purchases or systems upgrades where it represents value for money. The Treasury will issue a guide in April to aid public authorities in drawing up technical specifications for euro compliance. The guide will also help IT project managers plan for possible UK entry.
- The Treasury will step up its contacts with first wave member states in order to learn from their experiences. Concrete arrangements are being put in place to:
 - monitor how quickly use of the euro replaces the legacy national currency, particularly in tax dealings, in first wave countries;
 - work with other member states to gauge the effectiveness of information campaigns aimed at the public and the business community;
 - explore the most cost-effective programmes of training for public administrators throughout the public sector;
 - second staff involved in preparations to first wave countries to learn from their changeovers.
- The Treasury will continue to play a full part in the European Commission's working group on the changeover in public administrations.
- The Treasury will work with government departments, the NHS executive and local government to develop pilot projects to act as a guide for preparations in other organisations. The results of these projects will be posted on the Treasury's euro website.

Case Studies

The following case studies are examples of the challenges that would face the public sector.

The DSS is an example of a central government department with a high degree of contact with the public. Preparations are closely linked to the introduction of euro cash and involve co-operation with other key players at the retail level, particularly Post Office Counters Ltd.

Inland Revenue is an example of a central government department with a high degree of contact with business. It needs to prepare both for UK entry and the introduction of notes and coins. Preparations in DSS and the Inland Revenue are dominated by IT changes and, because they are a point of contact for businesses and the public, also by the need for extensive staff training programmes.

Local authorities also have a high degree of interaction with the public. They need to prepare for both UK entry and the introduction of notes and coins. As well as changing over their internal systems they would have a key role in communication and education to help individuals adjust to the new currency.

Case Study: Department of Social Security

Characteristics

1. The Department of Social Security (DSS) employs 80,000 staff across the UK and is responsible for distributing around £100 billion of benefits annually. It provides services for a wide variety of people: for example, parents receiving child benefit, pensioners, disabled people and the unemployed. The Department also operates the Child Support Agency which collects and distributes maintenance payments. The majority of the department's business processes are computerised.

Business issues

2. Key to an effective changeover would be the adaptation of the DSS computer systems. The systems are large, perform complex tasks and are interlinked. Thousands of forms and leaflets would need to be amended. The Department has links with many organisations including local authorities, the Post Office, utilities and other government departments, all of which are involved in the process of delivering social security. It would be necessary to work closely with these organisations to plan and implement the changeover.

Planning

3. The scale and complexity of the business process and supporting computer systems means that the DSS has already started early planning work. An EMU Programme has been established to identify the issues, document the scope of the task and plan out a programme of work.

Making the changeover

4. Benefits payments, including child benefit, pensions, disability benefit as well as child support payments would not be made in euro until the end of the transitional period, when euro notes and coins would be introduced. It is also expected that DSS staff salaries would switch to euro from that date.

5. This would require the re-designing of forms and leaflets and the amendment and testing of computer systems to start immediately after a positive referendum result. DSS staff would need to be trained in time for the switch of benefit payments to euro and DSS customers informed of the value of their payments when expressed in euro.
6. Prior to a referendum, the DSS aims to have established, for example, how to round benefit totals; identified every form and leaflet with sterling signs; identified all currency fields in computer codes; and be prepared to respond to a positive referendum result.

Case Study: The Inland Revenue

Characteristics

1. The Inland Revenue administers the UK direct tax system, covering income tax, corporation tax, capital gains tax, petroleum revenue tax, inheritance tax and stamp duties. It also provides valuation services for rating and council tax and collects some classes of National Insurance Contributions for the Contributions Agency.
2. The Revenue serves over 1 million employers, over 1 million companies, 30 million employees and over 4 million self-employed. During the 1997-98 financial year, it collected around £117 billion in direct taxes and around £49 billion in National Insurance Contributions. The tax collection, compliance, valuation and accounts functions are supported by one of the largest IT infrastructures in Government: there are 16 national computer systems with over 300 computer systems providing office networks and internal support.

Business Issues

3. A key objective would be to develop flexible plans to deal with the uncertain demand for euro services from businesses during the transitional period. Inland Revenue will be involved in the Treasury's work with the retail banks to estimate the profile of demand throughout the transitional period.
4. The key operational issue is how the department would adapt its IT and business systems and train 60,000 staff without undermining performance. To reduce the size of this task, the Inland Revenue is looking at options for collaborating with other departments and opportunities to adapt IT systems to handle the euro where upgrades or new purchases are already planned.

Planning

5. The Inland Revenue has established a Euro Planning task force. It reports to a Euro Planning Steering Group which is coordinating EMU preparations across the Revenue. A central tenet of the planning is approaching the single currency as a business led, rather than IT led, challenge. The business and IT planning teams are working together to produce solutions.

6. The Inland Revenue is working closely with other government departments as well as other tax authorities in the first wave countries, to evaluate various approaches to the transition and dual currency periods, including how to build in interfaces between euro inputs/outputs and sterling accounting systems.

Making the changeover

7. By the end of 1999, the Inland Revenue aims to have in place plans for the transitional period and final changeover. Amongst other issues, this will involve taking decisions about whether the department would maintain the current level of euro services until the end of the transitional period or develop interfaces between its sterling systems to enable it to offer a wider range of services in euro during the transitional period.

Case Study: Bedfordshire County Council

Characteristics

1. Bedfordshire County Council's responsibilities are a mixture of service delivery and billing and revenue collection. Services provided include: education, social services, road services, transport, libraries, leisure facilities and business advice. The authority issues bills for and collects revenue from those who use its services. The District Councils in the county collect the council tax, business rates, parking meters and fines, and rents. The County Council has an annual revenue budget of £270 million and employs over 7,000 people.

Business Issues

2. Three areas would be key to achieving an efficient and effective changeover in this local authority:
 - The adaption, upgrading and replacement of IT systems as well as the feeder systems, forms etc.
 - Operational matters including impact on services, policy and pricing and charging for council services in euro; procurement.
 - Briefing members and training a wide variety of staff , from teachers to accountants, librarians to trading standards officers, and negotiators to administrative staff, so that they are able to operate in euro.

Planning

3. A senior member of the Chief Executive's staff was appointed in 1998 to be the Council's euro co-ordinator, charged with raising awareness and assessing the impact of the euro. Each of the Council's service delivery departments and internal business areas are undertaking over the next year scoping studies of the preparatory work needed.

Making the changeover

INTERNAL SYSTEMS

4. During the transitional period, financial systems would be adapted to handle both euro and sterling. From the end of the transitional period, all financial statements would be published in euro, and payroll, pensions and billing systems would be converted to euro-only operations. IT supporting purchasing and supply systems, property management, social service accounts, claims and awards as well as resource allocation would be modified to be ready to deal in euro by the introduction of euro notes and coins.

SERVICES, BILLING AND REVENUE COLLECTION

5. The Council would need to recast thresholds for rationing services, change resource allocation mechanisms – for example education LMS systems – and update school books and other teaching materials. Libraries would need to have the most up to date information. Information and support to business, would be made available through Economic Development functions.
6. The County Council would consult with the District Councils about decisions on new council tax and business rate collection arrangements. Likewise, both types of Council would need to consider the pricing and charging policy for leisure facilities, licences and planning applications. All coin-operated machinery would also need to be adapted by the time that sterling coins were withdrawn. All forms displaying pound signs would need to be amended by the end of the transitional period.

TRAINING AND INFORMATION FOR THE PUBLIC

7. Training for teachers, librarians, accountants, negotiators and administrative staff would start before the joining date. As community leaders, councillors would be briefed to be able to answer questions from their constituents.
8. From the start of the transitional period, or the financial year closest, totals on documentation relating to grants and bills would be shown in euro as well as sterling. A similar approach would be taken on all key documents such as rents, education bursaries, grants and commercial property valuations and rental.

CHAPTER 6

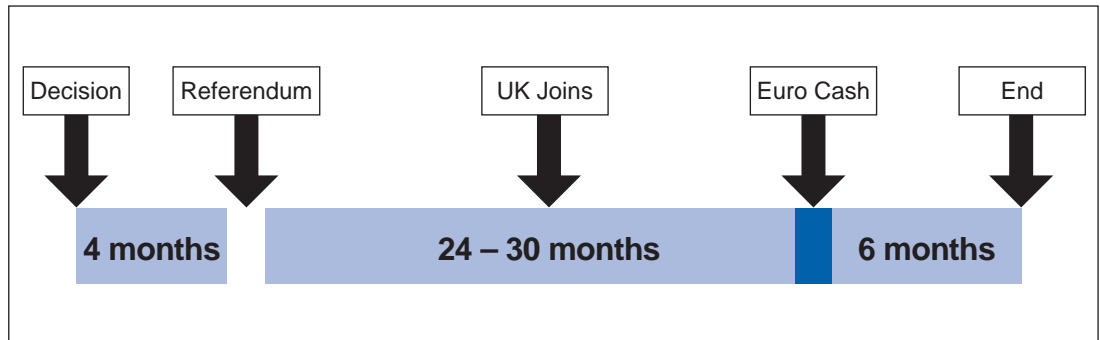
Notes and coins

1. The UK needs sufficient notes and coins to meet demand for euro cash on the first day of its circulation (E-day) and with rising demand after E-day.

How many notes and coins are needed?

2. The demand for notes and coins fluctuates during the year – it peaks at Christmas and falls to its lowest level in February. This creates a strong incentive to introduce notes and coins in February. The Royal Mint and Bank of England have worked up estimates of likely demand (after consultation with APACS).
3. If notes and coins were introduced at a time of year when demand was low:
 - an estimated 2 billion euro notes would be needed.
 - an estimated 13 billion coins would be needed.
4. On the basis of latest estimates, it would take up to 30 months to produce the necessary number of coins. Production of notes is a much quicker process. These estimates are likely to be revised during the planning process in the light of the experiences of the countries joining the single currency in the first wave and as further evidence is collected from organisations that would be involved in a UK changeover.
5. The production of euro notes and coins would reduce sterling production capacity. However, there would still be a need during the transitional period for new sterling cash to be put into circulation. Production of sterling notes and coins would need to be managed in advance to help keep supplies at the required level once the production of euro cash starts.

Distribution of euro cash and withdrawal of sterling: the logistical challenge



6. The distribution of cash would be a complex task which could take 6 months to complete in parallel with the latter stages of production. It would require detailed planning and co-ordination between many different organisations: banks, retailers, secure hauliers, vending machine operators, providers of storage facilities, insurers and government. Distribution of euro cash after E-day could be made more effective if sterling started to be returned prior to E-day. The public could be encouraged to return hoarded sterling before E-day. The quantity of sterling coins to be returned would be greater than the issue volume of euro coins, presenting an even greater logistical challenge.

Information

7. The chapter on public information explains the approach to informing the public about what would happen and when.

Next Steps

- APACS, the Bank of England and the Royal Mint will continue to work on their estimates of the volume of notes and coins needed.
- The requirement to produce new sterling coins could be reduced if hoarded sterling was returned. Further analysis is needed of the feasibility of a campaign to call in hoarded sterling cash.
- Further analysis is needed to produce a plan for the distribution of euro cash, including aspects of packaging, insurance, storage, transport and costs. Treasury will work with key players to produce a draft distribution plan by the end of 1999. The plan should also cover the return of sterling cash, including the possibility of public information.
- A more detailed analysis needs to be made of the type of information that the public would need in order to ensure a smooth introduction of euro cash.

CHAPTER 7

Legislation

1. This is a critical changeover task. The Treasury, supported by a working group has identified the following areas where legislation may be needed:
 - Legislation associated with the notification to the Council of the intention to join the single currency, and referendum legislation.
 - Reforms to the Bank of England and also to government finances.
 - Introduction of euro notes and coins.
 - Euro-isation – ensuring that references to amounts in sterling are converted satisfactorily. There will also be other changeover-related legislation, for example in the Department of Trade and Industry.
 - International treaty obligations; legislation required in the territories and dependencies.
2. The next stage is to take forward specific areas which are deemed to be most urgent.

Next Steps

- Set up arrangements now with the Bank of England, Foreign and Commonwealth Office, Home Office and Treasury to assess the issues associated with international obligations, the territories and the dependencies. The working group to report later in 1999.
- DTI to carry out a thorough audit of changeover-related issues.
- Treasury to put together some simple guidance, on the basis of departments' work to date, to help departments tackle audits of euro-isation and changeover-related issues (this might be developed and circulated via euro co-ordinators).
- Consider legislation for the organisational structures to oversee planning for the changeover.

CHAPTER 8

Public Information

1. This chapter looks at the public information which would be needed in the event that the UK decided to join EMU to inform businesses, public authorities, consumers and the general public once a referendum was over. The chapter summarises the information requirements for each stage of the changeover and looks at the need for specific, targeted campaigns aimed at certain vulnerable groups of society.
2. The public information programme could follow the timetable proposed in the rest of the outline changeover plan. In general, the longer the overall process, the more effective the information programme would be. This is particularly the case for certain groups with special information needs (set out in para 3 below).

Who would need to be informed?

3. A general information campaign would focus on two particular groups: business; and the general public and consumers. For business, information would need to be designed to offer maximum help to:
 - small and medium sized enterprises (SMEs); and
 - sole traders, including very small home-based businesses.

Additional, appropriately designed information would need to be made available to:

- elderly people;
- blind and visually impaired people;
- children and young people; and
- people with learning and perceptual difficulties.

The organisations who aim to help these two main groups would have an important role to play in designing and disseminating the information. The lists above might be expanded further in the light of experience from participating countries.

4. In addition to the public information programme, the wider public sector (government departments and local authorities) would be involved in informing businesses and the public directly (see Chapter 5 and the local authority case study) on specific issues, for example business rates. For the private sector, business organisations with a remit for particular sectors, the public utilities, and firms in supply chains would all have an important role to play.

Phases of the information campaign

5. The Government's public information campaign would support each phase of the changeover plan. The plan assumes the early provision of clear, accurate information and its delivery through 'primed' information channels.

Decision



Any provision of information during a referendum campaign would comply with general rules on the conduct of referenda campaigns.

Referendum



Assuming a positive referendum outcome, a national information campaign on pricing standards and any legislative changes would be launched.

Campaign would provide information about the dual currency period, benefits and pensions, and any known practices that retailers would follow. The training of the trainers would begin.

Six month national information programme would be launched to straddle the date of joining, focusing initially on the practicalities of joining and then on encouraging recognition and understanding of the euro.

Introduction
of Notes &
Coins



Training strategy would be launched. Training materials and any conversion equipment, including currency converters, would be available.

Six month information programme would focus on recognition and understanding of the euro and then on the impending withdrawal of sterling.

The Government's publicity, and any price information provided by retailers, would help consumers to compare prices in the two currencies (see further detail in Chapter 4.4).

End of
changeover

Sterling would continue to be exchangeable at banks for a set period thereafter. This would be brought to the attention of the public from time to time via a countdown campaign.

Next Steps

- Continue to make information available to SMEs about the near-term effects of the euro.
- Establish specialist sub-groups with relevant parties to consider options and plan in outline campaigns for “special needs” groups (eg elderly, young and school-age, those with learning difficulties etc).
- Meet with counterparts in other EU states to evaluate local information campaigns and information transfer mechanisms.

CHAPTER 9

Preparing for the changeover

1. This outline changeover plan is a consultative document which will be developed over time, both in the light of the experiences of the participating Member States and after further dialogue with organisations in the UK. In addition to the euro co-ordinators group already running, a number of more specialised working groups will be established to take forward the planning.
2. This chapter now brings together the next steps identified throughout the rest of the plan. Progress will be reported in the next six-monthly report to be published in the summer. In summary:
 - The UK will continue to follow the experiences of the participating Member States very closely. It will engage in constructive dialogue with them and with the 'out' countries to share knowledge. This activity would be helped by a programme of secondments.
 - The Treasury, in co-operation with industry, will set up systems to monitor and understand the growth of euro usage.
 - The Bank of England will continue to take the lead in further planning in the City.
 - The BBA, APACS, Bank of England and the Treasury will continue to improve their understanding of how the retail banks might approach the conversion of core systems.
 - The BRC will co-ordinate the development of a UK code of practice for retailers, supported by Government.
 - Government will review, in consultation with other interested groups, approaches to consumer education and protection in the first wave countries.
 - Departments will build in capability to deal with UK entry in new IT purchases or systems upgrades where it represents value for money.
 - The Treasury will work with departments to pilot projects to act as a guide for preparations.
 - APACS, the Bank of England and the Royal Mint will continue to improve their understanding of the likely demand for euro notes and coins, and the strategies for distributing euro cash and withdrawing sterling.

- The Treasury will arrange to take forward detailed work on legislative issues, and will put together guidance for departments.
- The Treasury will continue to provide public information about the euro and will develop its information strategy for the changeover.
- The Treasury will report on progress on this further work in the EPU's next six-monthly report and produce a further plan in around a year's time.

