



HM Treasury

Fifth Report on Euro Preparations

November 2001



Contents

- 1. Executive Summary 3
- 2. Developments in the Euro Area 7
- 3. Working with the Euro – SME support 15
- 4. Regional Euro Forum Activities 21
 - Regional Euro Forum Chairs and Contact Details 24
- 5. UK Consumers and Travellers 25
- 6. Preparations for a Possible UK Changeover 27
 - Questions and Answers 34

Images of the euro notes and coins are shown at the centre pages

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November 2001



Executive Summary

This report has three key messages:

- In a few weeks' time, euro cash will displace existing currencies in the twelve countries of the euro area;
- This will have an impact on many UK businesses and also on UK citizens, especially in their capacity as tourists; and
- Information and advice is available for UK businesses and citizens, supplied through Government and partner organisations. The UK Government website for the euro is www.euro.gov.uk; business information can also be obtained from 08456 01 01 99. The Government is stepping up its efforts to ensure that UK businesses understand and react to the impact of the euro by launching the latest phase of its information campaign for small and medium-sized businesses (SMEs).

What is happening in the euro area?

On 30 August 2001, the European Central Bank unveiled the final designs for euro notes and launched an extensive information campaign across the whole of the euro area to familiarise citizens with the new euro notes. Since then over 100 million citizens in the euro area have seen their bank accounts switched over to the euro. From 15 December 2001, "starter kits" of real euro coins will go on sale to citizens across the euro area. On E-day – 1 January 2002 – the euro will displace the existing currencies for retail cash transactions for 300 million consumers.

The period of "no compulsion / no prohibition" is nearly over. From 1 January 2002 all non-cash transactions must be in euro – citizens in the euro area will have euro bank accounts, will be paid in euro, will pay taxes in euro, and will receive benefits in euro. Businesses will raise invoices in euro, pay suppliers in euro, and price in euro. All must begin to think in euro. After 28 February 2002 at the latest, if euro area citizens want to buy goods in shops, they will have to use the new euro cash.

As well as running information campaigns aimed at their own citizens, euro area countries are engaged in managing the major logistical challenge of the cash changeover, making final technical changes to major IT systems, maintaining consumer confidence in price stability, and exhorting smaller businesses and remoter parts of government to finalise their preparations.

What does this mean for UK businesses?

UK businesses who have trading links with the euro area will be affected – not just those who export to or import from the euro area or those with offices or factories elsewhere in the EU, but those who face competition from businesses in the euro area or supply UK firms who do business there. For many firms, this will not be simply a case of converting prices; they may need to review their markets, their marketing, and adjust their strategies.

What is the Government doing to help UK businesses?

The Government is launching the latest phase of its information campaign to help UK business. It is sending a letter to some 1.5 million SMEs in the UK, telling them about the euro, and including practical guides to help – a “self-test thermometer” to help a firm assess the impact of the euro on its business; a booklet – “Using the euro – competing in Europe” – which provides practical advice for firms that have not made any preparations; and a case study giving an example of a real firm in the UK which has already adapted to dealing in the euro.

Since the relaunch of HM Treasury’s euro preparations website (www.euro.gov.uk) there have been over 170,000 visits. Visitors can find detailed factsheets, 50 accessible short case studies from some 20 sectors of the UK, the self-test thermometer, country factsheets giving more detail on specific countries, and links to other business support networks. Visitors to the websites of these business support networks (like the Small Business Service, Trade Partners UK and British Chambers of Commerce) can find easy links to good advice on the euro.

At the local level, businesses can attend seminars on the euro (over 100 planned for this Autumn) and get advice from their local Regional Euro Forum (networks of businesses and support organisations). If a business wants to contact its local forum, it should do so via www.euroforum.org.uk.

What about UK citizens?

The Government has also been working with the travel and cash handling industries to help UK citizens who, especially as tourists, will come across the euro more and more regularly. Tourists can expect to find advice on the euro with their euro cash or tickets before they go on holiday. Together with the Foreign and Commonwealth Office, and the Department of Trade and Industry, HM Treasury is producing a leaflet for travellers which will be available at major ports, airports and other outlets.

What about UK Government policy towards joining the euro?

The Government's policy on membership of the single currency remains as set out by the Chancellor of the Exchequer in October 1997, and restated by the Prime Minister in February 1999. The determining factor underpinning any Government decision on membership of the single currency is the national economic interest and whether the economic case for joining is clear and unambiguous.

The Government has set out five economic tests which must be met before any decision to join can be made. The Government has said that an assessment of these tests will be produced within two years of the start of this Parliament. Before any such assessment is started, the Government must continue to do the necessary preliminary work for the analysis – the technical work that is necessary to allow the assessment to be undertaken within two years as promised. On the basis of the assessment, the Government will take a decision on whether the five tests have been met. The Government believes that, if a decision to recommend joining is taken by the Government, it should be put to a vote in Parliament and then to a referendum of the British people.

Preparations for possible UK entry

Preparations for possible UK entry continue under the outline National Changeover Plan. The framework is being constantly updated:

- Consultation in the public and private sectors is mapping out a clearer picture of a changeover in the UK. Under a possible phased approach: wholesale financial markets presently trading in sterling would change to euro at the point of UK entry; international businesses would also be likely to make greater use of the euro in many aspects of their activity, from UK entry; but smaller businesses and personal customers would be unlikely to switch from sterling until nearer to an introduction of euro cash;
- As part of the ongoing modernisation of computer systems, the public sector has invested £13.0 million since the publication of the Fourth Report on Euro Preparations in November 2000 to build in euro compatibility and deliver technical analysis and design work. This brings the total investment in changeover planning to date to £23.5 million;
- All central Government departments and key agencies have drawn up strategies for the potential conversion of systems and business processes during a changeover. The Department for Transport, Local Government and the Regions, and HM Treasury are working together with a range of key representative bodies to develop planning tools for local authorities and other local public bodies;
- The Government and key partner organisations, including the Bank of England, the banks, retailers, and utilities are investing in learning the lessons from the changeover in the euro area.

Taking together the experiences of the euro area changeover and the consultation in the UK, a number of key lessons are emerging:

- There are major differences between projects like the Millennium Bug or decimalisation, and the euro changeover;
- All euro area countries have now adopted a two-month or shorter period for dual circulation rather than six months;
- The public sector can play a key role in leading change;
- The phased approach to a changeover is a sound planning assumption;
- Intensive education of the public about euro cash can wait until closer to the arrival of euro cash but the end of the process needs to be intensive; and
- Early planning helps to create the conditions for a smooth changeover and to reduce costs. This is why it is right that the UK Government has already started making investments, that the project management structure in Government (the Euro Ministers Committee) is already in place, and why the consultation must continue to widen and deepen, under the outline National Changeover Plan.

Conclusion

Euro cash is now only weeks away for the euro area. The UK Government has consistently stressed the importance of the imminent arrival of the euro in the euro area, the potential impact on businesses in the UK, and its determination to provide practical help to business. That is why it is sending practical details and advice to some 1.5 million SMEs as part of the latest phase of its information campaign.

The Government's policy on membership of the single currency remains as set out by the Chancellor of the Exchequer in October 1997 and restated by the Prime Minister in February 1999. The Government has set out five economic tests which must be met before any decision to join can be made. The Government has said that an assessment of these tests will be produced within two years of the start of this Parliament. The Government is also committed to preparing for possible UK entry and preparations continue under the outline National Changeover Plan. It continues to invest in the public sector, to work with stakeholders to provide the best possible planning framework and to learn as much as possible from the euro area.

Although the Government has led these preparations, it has received invaluable help from partner organisations in the public, private and voluntary sectors, from representative organisations and from the individual businesses who have been prepared to act as case studies. The Chancellor's Standing Committee has played a key role. The Government is extremely grateful for all of their efforts and also to partners in the euro area who have been so helpful in sharing their planning. The networks that are in place are key to delivering practical help to SMEs today and would stand the UK in very good stead should the UK decide to join a successful single currency.



Developments in the Euro Area

On 1 January 2002 the twelve euro area countries will complete their transition to the euro by introducing euro cash. By 28 February 2002 at the latest national currencies in the euro area will no longer be legal tender and all transactions will be required to be made in euro.

In the final quarter of 2001, euro area governments entered the final, intense, mass communication stage of the changeover to the euro. Rigorous preparations are well under way and the situation is developing rapidly. The final designs of euro notes and coins were unveiled on 30 August 2001 and euro cash has been in transit to banks and retailers across the euro area since 1 September 2001. Public information campaigns are being stepped up and euro area citizens will have their first physical contact with euro cash in mid-December 2001 when “starter kits” of euro coin go on sale to the public. The most recent European Commission survey published in the “Eurobarometer” (September 2001) indicated that over 90% of euro area citizens knew that euro cash would be introduced on 1 January 2002. Nearly 30% already had practical experience at work or in private life of the euro in non-cash form. Use of the euro is growing in all sectors across the euro area as the end of the transition period approaches.

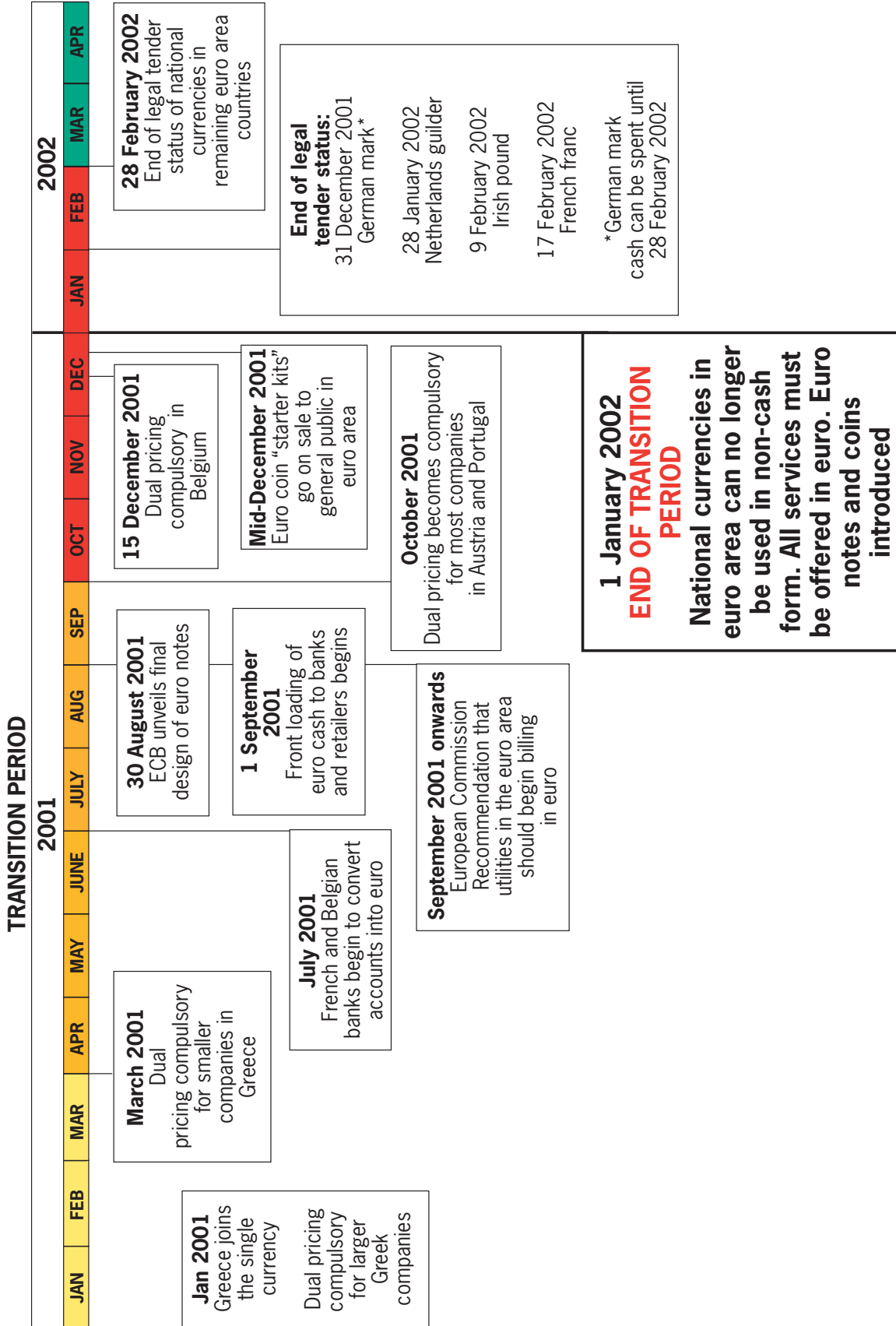
There is more to managing a changeover than cash distribution or consumer education – the changeover to the euro requires careful co-ordination between social partners who would not ordinarily interact and effective and timely technical preparations. The chart overleaf records the key events over the final stage of the transition period in 2001 and 2002.

The remainder of this chapter describes:

- The key features of the cash changeover in aggregate and in individual countries;
- Aspects of the country specific information campaigns;
- Preparations in the private sector, including SMEs, and in the public sector; and
- Measures aimed at consumers to maintain confidence during the changeover.

It also summarises recent developments in assessing the prospects for the changeover and where member states are focusing their efforts. The implications for a possible UK changeover are covered in the later chapter on changeover planning in the UK.

Key dates and events in euro area countries in 2001-2002



Cash changeover

On 30 August 2001, commenting on the changeover in the euro area, the President of the European Central Bank (ECB) Dr Willem Duisenburg said:

“All in all, the challenges with regard to the cash changeover should, of course, not be underestimated. At the same time, however, I am not aware of any indications that could place the effectiveness of the careful and comprehensive preparations for a smooth and successful cash changeover in doubt.”

On 19 October the European Council of Finance Ministers (ECOFIN) submitted a detailed report prepared by the Commission on preparations in the euro area to the European Council held in Ghent, under the Belgian Presidency. This report was submitted with the following statement by ECOFIN euro area ministers:

“The Ministers are reassured that preparations, including operations to front-load banks and retailers, are progressing satisfactorily, and remain at their part committed to act to facilitate a smooth changeover. They note, in particular, the importance of:

- Increasing efforts to provide information for small and medium size enterprises and local authorities, as many still lag behind in preparations;
- Stepping up communication efforts to enable citizens to familiarise themselves with the features of their new currency;
- Helping retailers to manage practical aspects of the introduction of the new currency; and encouraging them to participate in the sub-frontloading operation and to use this opportunity to train cash-handling staff in the use of the new banknotes and coins;
- Facilitating a swift distribution of the new banknotes to the public as from 1 January, notably through an almost immediate adaptation of ATMs.

The Ministers note the Commission’s positive assessment of specific areas described in detail in the report, such as security measures and emergency plans; actions to prevent counterfeiting; the approach followed to promote price stability; methods for bringing the new currency into circulation; and practical measures to assist individuals.

Finally, the Commission’s report also identifies forty good practices considered by the Commission as important for the success of the operations. The Ministers will consider, where appropriate and in accordance with national circumstances, implementing these good practices identified.”

The UK Government is keen to see a successful changeover in the euro area. It welcomes the many indications that euro area ministers and officials remain committed to a successful changeover, and that both public and private sectors in the euro area have made and continue to make rigorous and inclusive preparations for 1 January 2002. The cash changeover is a major logistical challenge and there are bound to be some imperfections, but the main message to UK businesses and consumers is that the changeover is happening now, and will be over in a matter of months.

Euro Cash

There are seven denominations of the euro note: €5, €10, €20, €50, €100, €200 and €500. The notes differ in size and colour by denomination with the values printed in large figures to facilitate recognition by the visually impaired.

The notes incorporate a range of tactile and visual security features. The ECB is using the catch phrase “**feel, look, tilt**” in an information campaign, entitled “the EURO. OUR money”, targeting euro area citizens and cash handlers in the approach to the cash changeover.

A detailed pull-out depicting the different note and coin designs is included in the centre pages of this publication. More information on euro notes and coins images may be viewed on the ECB website at: www.euro.ecb.int.

A TV and press advertising campaign run by the ECB and National Central Banks of the euro area started in September 2001. The first round of advertising aimed to encourage the 300 million euro area citizens to familiarise themselves with the new currency. A second round of advertising in November/December will provide more detailed information on the security features incorporated in the euro notes. In early October 2001 the ECB and National Central Banks in the euro area distributed some 200 million copies of an information leaflet entitled “Getting ready for the euro – Your guide to the euro banknotes and coins” to households in the euro area. This leaflet is designed to provide information in an easy to use format.

Frontloading of euro cash to banks started in September 2001 and will continue throughout the latter part of 2001. “Starter kits” of €5-10 of coin for euro area citizens will be made available for purchase from banks and post offices in mid-December.

Withdrawal of legacy currencies will be accomplished through exchange at banks and post offices and through retailers. Many countries anticipate that most cash transactions will be in euro within the first two weeks of 2002. At the end of the dual currency period in each country, legacy currencies in every euro area country will cease to be legal tender (although legacy currency will be exchangeable at most euro area banks for full value in euro).

Communication campaigns

Euro area national cash changeover communication campaigns are aiming to reach every citizen, with special efforts for people in vulnerable groups such as older people, the visually or hearing impaired, or non-native speakers (or any combination of these).

Most countries have opted to keep messages short and to convey a small number of key facts: for example – the date of cash changeover, duration of dual currency periods and exchange rates. Three basic approaches to communicating the fixed exchange rate have been used (sometimes in combination): exact (six-digit) conversions, rough calculations (for example, €1 is approximately DM2) and a “scale of values” system (directly communicating the price of a loaf of bread, train ticket or newspaper in euro).

Although the messages are very similar and tightly controlled, euro area administrations have used a diverse set of approaches in national communication campaigns – the “euro bus” in Austria, the “euro village” in Italy where people can exchange lira for euro tokens and undertake transactions in euro values, the “euro train” in Spain and campaigns run through schools. Face to face communication is considered very effective in communication campaigns – for example in France there is an emphasis on train the trainers exercises, training civil servants in order that they may act as information multipliers, and the blind people’s association and the older peoples’ associations have between them trained 4,400 retired people to go into care homes to talk about the euro. The Euro Changeover Board of Ireland is sending a handbook to every household, and is also working closely with non-governmental organisations dealing with low awareness and vulnerable groups.

Campaign styles differ across the euro area in conveying the key messages. The French government are using a euro personality – “Lise” – for youth appeal. The Irish Changeover Board are using celebrities from sport, entertainment and television. The Spanish government has created a cartoon “Family García” which has a cross-sectoral and generational appeal showing how the changeover affects the parents – at work and shopping – and the older and younger family members, as well as the family business.

Preparations in the private sector

In the final quarter of 2001, larger businesses are finalising their preparations for technical, accounting and billing operations. Most organisations are well into or have completed the “testing phase”. Effort is now focused on training of staff, particularly of cash handlers, before 1 January 2002, and on logistics and security for E-Day.

Dual pricing, the display of prices in both national currency and euro, is for many citizens the first significant contact with the euro in daily life. By September 2001 dual pricing was already widespread throughout the euro area. Dual pricing has been compulsory in Greece for retailers from the first quarter of 2001, and in Austria and

Portugal for many businesses from 1 October 2001. It will be compulsory in Belgium from 15 December 2001. In all four countries dual pricing is required until the end of the dual currency period on 28 February 2002. All other euro area countries have opted for an extensive voluntary approach to dual pricing.

Banking preparations are advanced across the euro area and retail banks are offering a full suite of non-cash services in euro. Account conversion for businesses and the general public began in France and Belgium from July 2001. Many account holders have already received euro-denominated chequebooks (franc-denominated chequebooks are no longer being issued) and are able to carry out euro-denominated transactions. Other countries are converting accounts throughout the final quarter, or at the end of 2001, according to individual changeover plans. All bank accounts will be converted by 31 December 2001.

National administrations throughout the euro area are intensifying their efforts for SMEs. For example:

- The Irish government is sending training kits to all retailers containing currency converters, display charts, dummy notes and coin for training purposes and a training manual, in the final quarter of 2001;
- The French government distributed 400,000 kits including stickers and posters to retailers in August 2001; and
- The Portuguese government ran a campaign where trainers were sent out to run seminars and workshops and to reach SMEs through local and regional associations. This is regarded as a very effective way to reach the target audience, particularly in countries such as Greece and France where membership of Chambers of Commerce is mandatory.

To engage the audience, changeover administrations are providing targeted communication – in the Netherlands the changeover administration has produced changeover pamphlets providing practical help drafted in ten different styles tailored for different types of SME.

Consumers

Maintaining consumer confidence in price stability is a key objective for national administrations, local authorities, businesses and consumer bodies. Many countries have adopted a system of voluntary codes of practice that include a commitment to price conversion that is either price neutral or in favour of the consumer – for example many German retailers voluntarily agreed to fix prices starting from July 2001 until the end of the cash changeover period. Dual pricing plays a part in maintaining confidence through providing price transparency during and beyond the cash changeover period – as consumers learn a new scale of price values in euro they will still be able to compare values in the more familiar legacy currency.

Competition naturally helps to keep prices stable, but increasing public awareness has been identified as an important additional condition for maintaining confidence. Measures aimed at increasing transparency such as price monitoring, either by consumer groups or co-ordinated by central government, are common. The Finnish government, for example, has established a network of 100,000 individuals who monitor prices in their local shops and report back to the national consumer organisation. The Netherlands consumers association undertakes a regular “basket” price monitoring programme looking at some 1,000–1,500 different products.

A European Commission sponsored initiative allows retailers to display a “euro logo” as a visible sign of their voluntary commitment to best practice – promising accurate price conversion rounded in favour of the consumer and dual pricing. The September 2001 “Eurobarometer” survey indicates that some two thirds of euro area citizens are reassured that prices are stable where retailers display this “euro logo”.

Public sector

National administrations have nearly completed their preparations, and efforts in the final quarter of 2001 are focused on finalising technical preparations; training, fine-tuning legislation, increasing the provision of euro services according to elements of national changeover planning and communication campaigns aimed specifically at the general public and SMEs.

Early changeover of utilities billing is taking place in Belgium, Spain, France, Italy, Luxembourg, Portugal and Finland. Civil servants already receive euro-denominated payslips in Spain, France, Ireland, Italy, Luxembourg and Portugal. All public servants and armed services personnel (some 2.8 million people) in France have been paid in euro by bank transfer since July. 46% of France’s public expenditure was denominated in euro at the end of August. Changeover of civil servants’ payslips began in Italy in October and will be completed in Ireland by the end of November.

Throughout the changeover, administrations have publicly put significant emphasis on the public sector showing a lead, for example by being ready early, showing good practice when converting government charges from legacy currency to euro, or making sure that training of civil servants happened early so they could act as information multipliers. In Greece the training of civil servants started in the second quarter of 2001, in key central areas of the administration such as revenue departments, in local government and in social services. In Portugal, the process of training instructors has been completed. Belgium is training public sector cash handlers who deal with the public.

Cash Changeover: Key Facts by country

The table below elaborates the key points of interest to the citizen over cash changeover: exchange rate for national currency to the euro; legacy currency exchange arrangements at national and retail banks, duration of dual currency periods and approaches to dual pricing.

	Exchange Rates 1 euro =	Free-of-charge exchange by banks	End date of legal tender for legacy currencies	Exchange of legacy currency at banks after legal tender deadline	Redemption at National Central Bank after legal tender deadline	Approach to dual pricing
Austria	13.7603 Austrian schillings	Up to 50,000 Austrian schillings	28/2/2002	To be decided individually by banks after 28/2/2002	Indefinitely	Compulsory 01/10/01 – 28/02/02. Certain companies exempted
Belgium	40.3399 Belgian francs	No limit for notes until 28/2/2002. Note and coin by deposit until 31/12/2002	28/2/2002 midnight	31/12/2002	Notes: indefinitely Coins: end-2004	Compulsory 15/12/01 – 28/02/02
Finland	5.94573 Finnish markka	No limit	28/2/2002	To be decided individually by banks	Notes and coins: ten years	Voluntary agreement
France	6.55957 French francs	No limit until 17/2/2002	17/2/2002 Midnight	30/6/2002	Notes: 01/03/2012 Coins: 01/03/2004	Voluntary agreement
Germany	1.95583 German marks	Subject to each bank's decision. Standard amount to be agreed	31/12/2001, but will be accepted until 28 February 2002	At least until 28/2/2002. Effort for flexibility thereafter	Indefinitely	Voluntary agreement
Greece	340.750 Greek drachma	No limit	28/2/2002	Period to be defined	Notes: 10 years Coins: 2 years	Retailers employing >10 people: compulsory from 01/01/01. Retailers employing < 10 people: compulsory from 01/03/01
Ireland	0.787564 Irish pounds	Up to an overall total of at least Irish £500 per individual.	Midnight – Saturday 9/2/2002	For a period not yet specified	Indefinitely	Voluntary agreement
Italy	1936.27 Italian lira	Recommend €500. No limit on one day notice	28/2/2002	Banks will decide in February 2002	Until 01/03/2012	Voluntary agreement
Luxembourg	40.3399 Luxembourg francs	Free for clients. Free for non-clients within a limit set by each bank	28/2/2002	30/6/2002 (some banks)	Notes: indefinitely Coins: end-2004	Voluntary agreement (operative until the end of the dual circulation period)
Netherlands	2.20371 Netherlands guilder	No limit until 1/4/2002: exchange via bank account	28/1/2002 at midnight	31/12/2002 (banks may charge for the exchange as from 1/4/2002)	End-date coins 1/1/2007: notes 1/1/2032	Voluntary agreement (01/07/01 – 28/01/02)
Portugal	200.482 Portuguese escudos	Free for clients	28/2/2002	30/6/2002	Notes: 30/12/2022 Coins: 30/12/2002	Compulsory 01/10/01 – 28/02/02. Certain companies exempted (including < 5 staff)
Spain	166.386 Spanish pesetas	No limit	28/2/2002	30/6/2002	Notes and Coins: Indefinitely	Voluntary agreement



Working with the Euro – SME support

UK businesses who have trading links with the euro area can expect to be affected by the euro – not just those who export to or import from the euro area or those with offices or factories elsewhere in the EU but those who face competition from businesses in the euro area or supply firms who do business there.

Following 31 December 2001, it will no longer be possible to make electronic, bank-to-bank, or cheque payments in any of the legacy currencies. From 1 January 2002, businesses will not have the option of dealing in legacy currencies (other than the limited number of firms which deal in cash); and cash-based businesses will have to switch to euro following the timetables set out in Chapter 2. For many firms, therefore, this will not simply be a case of converting prices; they may need to review their markets, their marketing and change their strategies.

The Government is writing to some 1.5 million SMEs in the UK to provide details of the introduction of the euro in the euro area and materials to allow firms to assess the level of impact this will have on them. The mailing also includes practical steps which firms can take if they find that they are affected. In addition, working with business support and representative organisations, HM Treasury's Euro Preparations Unit (EPU) has:

- Revised and updated the Government's euro **website** (www.euro.gov.uk), which now includes an interactive self-test thermometer for firms;
- Produced new business **factsheets**;
- Developed a new 8-page booklet – **“Using the euro – competing in Europe”** – which offers advice for those firms who find that they need to make preparations at short notice; and
- Issued over 50 **case studies**.

This brings HM Treasury expenditure on business euro preparations to date to £9.9 million.

Feedback from SMEs

During Summer 2001, EPU met with SMEs across the UK to understand their view of the business implications of the introduction of the euro in the euro area, and the information and support which these firms would find useful.

Some SMEs are now being affected by the introduction of the euro, and others are starting to focus on the euro as a key business issue as the introduction of euro cash approaches. More and more businesses are now realising that they will be affected by the introduction of the euro. Banks and accountants are seen as key sources of advice,

as are business support bodies in the private and public sectors, such as Chambers of Commerce, trade associations and Business Links.

SMEs were aware of the potential opportunities and the importance of possible market changes, including price transparency, which the euro could bring. They also understood the need to consider the business' internal preparations such as changes to computer systems for invoice issue and processing and accounting. SMEs felt, however, that they needed more information on key timings, and the actions they should take on exchange risk management.

Firms were keen to receive clear, concise factual information about the euro. In particular, they were seeking information about the introduction of euro cash – the timing of the end of transition and the end of dual circulation in the euro area – and assistance in assessing the impact of the euro on their business. SMEs were also seeking examples of firms that have already made preparations and seen consequent benefits.

The materials produced by EPU, delivered through the Regional Euro Forums, were seen as providing authoritative, factual information on the euro. SMEs wanted to be able to receive the information in both electronic and hard copy form. There was also widespread support for face-to-face meetings as a method of getting information and specific advice, such as breakfast seminars and workshops. Further details of the activities of the Regional Euro Forums can be found in Chapter 4.

Website

As announced by the Chancellor of the Exchequer on 29 March 2001, HM Treasury's euro website (www.euro.gov.uk) was relaunched in Spring 2001. Since the relaunch, there have been over 170,000 visits.

The website was revised and updated to allow desktop delivery of key information, including the new factsheets, case studies, the "Using the euro – competing in Europe" booklet and country factsheets giving more detail on euro area countries. The website also includes an interactive self-test thermometer which allows firms to assess whether their firm is likely to be impacted by the euro, and whether they should be thinking now about dealing with the euro. It also has links to other business support networks – like the Small Business Service, Trade Partners UK, the British Chambers of Commerce and the Forum of Private Business. The website is also regularly updated as further information is made available and has a contact e-mail address – euro.info@hm-treasury.gov.uk – through which businesses can seek further advice and offer comments on the website.

Factsheets

EPU has distributed some 425,000 business euro preparations factsheets. These have been updated to reflect SME feedback. The revised factsheets are structured to provide information to firms in a way which matches firms' categorisation of their activities. This includes information tailored for exporters, importers, those in a UK supply chain, those with a presence in the euro area, and those with competitors in the euro area, as well as facts and figures on the euro, sources of further help and advice, and a brief description of Government policy on the euro.

“Using the euro – competing in Europe”

Feedback from business organisations and firms shows that SMEs are also seeking simple advice tailored to those companies who leave euro preparations until the end of transition. A booklet – “Using the euro – competing in Europe” has been developed in consultation with business and contains information on:

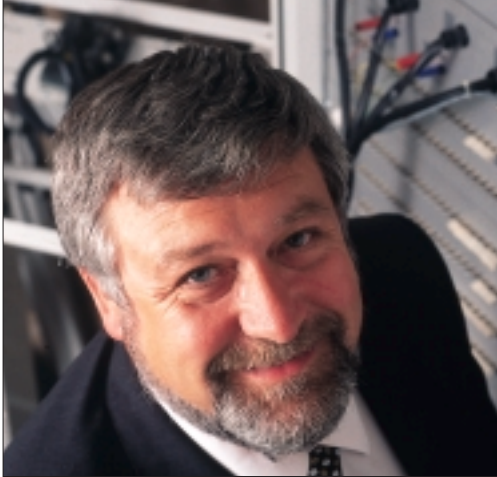
Pricing	Legal and tax
Invoicing	Training
Banking and cash handling	Retailing
Information systems	

The draft booklet benefited from the input of those firms attending the feedback meetings. Firms considered that it provided useful information, particularly for those who had undertaken little previous research into the effect of the euro on their business. All participants welcomed the brevity and practical focus of the document. There was widespread support for the signposting to more specific sources of advice. The use of questions for firms to consider in each of the sections was considered helpful in focusing firms on the key issues.

Case studies

In response to business requests for examples, EPU has produced more than 50 business-to-business case studies. The case studies cover a range of sectors across the UK and show how real firms have already prepared to use the euro, and the benefits that these firms see arising from having made preparations. The sectors covered by the case studies are:

Construction	Office machinery
Chemical products	Paper products
Electrical machinery	Retail
Engineering	Service
Food & Drink	Textiles
Leisure equipment	Travel & Tourism
Machine equipment	Wearing apparel
Metal products	Wholesale/distribution
Mineral products	



Extract from Rowe Hankins case study

“For Rowe Hankins, the key issues raised by the euro were:

- To respond positively to the request from our major customers to transact in euro and to persuade others in the supply chain to follow suit to minimize exchange rate issues; and
- To adopt the euro wholeheartedly and use it to gain a competitive edge.

“We deal with larger contracts on the

manufacturing side and, not surprisingly, we had pressure from two of our major customers, Alstom and Siemens, to use euro as early as April 1999; we operate within a niche market and, although some client plants are based within the UK, they are foreign-owned.

“...euro pricing has made the company’s life easier and improved our chances even further in tendering against the competition. Price transparency isn’t a problem either; we offer partnership agreements with stable prices to different sites within the group and favourable terms for prompt payment. By closing all other currency accounts and operating just three – dollar, sterling and euro – the company has cut its administrative costs.”

Tony Hankins, Managing Director, Rowe Hankins

How to obtain information

The factsheets, case studies and “Using the euro – competing in Europe” booklet are available through the euro information line (Tel: 08456 01 01 99 – calls charged at local rate), or via HM Treasury’s euro website, www.euro.gov.uk.

Working with others

EPU has continued to work closely with Government business support organisations and with business representative bodies, including those organisations that are members of the Business Advisory Group on the euro (BAG) on the provision of information for business and consumers.

BAG is jointly chaired by Ruth Kelly MP, the Economic Secretary to the Treasury, and Melanie Johnson MP, the Parliamentary Under-Secretary of State for Competition, Consumers and Markets. Its membership includes senior members from key business and consumer representative groups, including the CBI, the British Chambers of Commerce, the Federation of Small Businesses, the Forum of Private Business, the

Euro Notes

These pages show images of euro notes and coins. Details of the security features can be seen on the European Central Bank's website at www.euro.ecb.int/en/section/recog.html. Euro notes are identical across the entire euro area. Euro coins have one common side and one national side. Both euro notes and euro coins can be spent anywhere within the euro area, regardless of the country of issue (so, for example, a euro coin issued in Spain and featuring a Spanish national side can be used to buy goods in Finland, Italy or Portugal).

















































Front

















































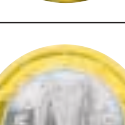





























Back



Euro Coins: Common

Common Side	National Sides				
	Austria	Belgium	Finland	France	Germany
					
					
					
					
					
					
					
					

and National Sides

National Sides						
Greece	Republic of Ireland	Italy	Luxembourg	Netherlands	Portugal	Spain
						
						
						
						
						
						
						
						
						
						
						
						

Front



Back



British Bankers' Association, the Association of Payment Clearing Services, the Association of Corporate Treasurers, the Building Societies Association, the Association of British Insurers, the British Retail Consortium, the Consumers' Association, the Hundred Group of Finance Directors, the Council for Travel and Tourism, the Engineering Employers Federation, The Computing Services and Software Association, the Chartered Institute of Public Finance and Accountancy, the Institute of Chartered Accountants, the Trades Union Congress, the Institute of Directors, the Law Society and the Bank of England.

In conjunction with business, EPU has:

- Worked closely with banking and accounting organisations so that they are able to advise their clients whether they need to make preparations for the euro. For example, the Institute of Chartered Accountants in Ireland has produced a booklet "Getting Ready for the Euro – Issues for Northern Ireland Business";
- Worked alongside key representative organisations to ensure that specific sectors are aware of the potential impact of the euro, including with the Engineering Employers Federation, the CBI's Trade Association Forum, and the British Chambers of Commerce;
- Liaised with key BAG members on the accessibility and business content of any euro information that they provide either through their websites, or privately to their members, to ensure that the information is accurate and so that businesses can use the links between BAG members' websites and HM Treasury's euro website; and
- Worked with the Department of Trade and Industry, the Foreign and Commonwealth Office, the British Bankers' Association, the Association of Payment Clearing Services, the Council for Travel and Tourism, and the Association of British Travel Agents on providing information for business travellers and consumers.

Future Activities

The Government is continuing to take forward the business preparations agenda, particularly amongst those with EU links, by:

- Writing to some 1.5 million SMEs in the UK, telling them about the euro, including a self-test thermometer to help a business assess the impact of the euro on their firm, the “Using the euro – competing in Europe” booklet and a case study. This will allow firms to assess the extent to which they will be affected – and to take action if necessary;
- Working with the Regional Euro Forums to make information available to business through websites, newsletters and face-to-face events. Further details are available in Chapter 4;
- Sending a euro preparations leaflet, including a self-test, to some 1.5 million VAT-registered firms;
- Working with sectoral organisations, including travel bodies, to ensure that tourist businesses and travellers are aware of the potential impact of the euro; and
- Working with existing Government business support bodies, including the Small Business Service and Trade Partners UK, to ensure that the continuing impact of the euro on UK business competitiveness is appreciated and can be addressed.



Regional Euro Forum Activities

During 2001, the twelve Regional Euro Forums across the UK have focused on increasing the level of preparations and general awareness of SMEs and advisers of the possible impact on UK business of the introduction of the euro in the euro area.

Led by senior local business people, the Forums include representatives from business, national and local government bodies and key business support bodies such as Chambers of Commerce and Business Links. The Forums are continuing to provide assistance, advice and support to SMEs who are preparing to deal with the euro as a business issue now.

During the first half of 2001, the Forums:

- Ran telephone helplines to deal with specific queries;
- Developed and maintained websites;
- Organised events; and
- Issued regular newsletters.

The boxes below show some of the activities which have been carried out by a selection of the Forums.

South East Euro Awareness Forum

Newsletters:

Issue 3 distributed to 3,000 businesses in January

Issue 4 distributed to 3,500 businesses in July

Issue 5 distributed to 61,500 businesses in September

Issue 6 to be distributed to 60,000 businesses in November

Issue 7 to be distributed in January 2002

Website:

Continually updated during 2001. Since April, the average number of visits has trebled to approximately 9,000 visits per month.

Helpline:

The Euro Info Centre was appointed in June to handle calls from businesses and advisers.

Examples of events:

6 September: Presentation to Business Club, Banbury

18 September: Seminar for intermediaries and business support organisations, Bracknell

27 September: Presentation to Business Club, Bicester
28 September: Breakfast seminar, North Hants Chamber of Commerce, Basingstoke
2 October: Breakfast seminar, Institute of Directors, Bucks
23 October: Breakfast seminar, North Hants Chamber of Commerce, Winchester
31 October: Presentation to South East Tourist Board, Brighton
6 November: Lunch seminar, Institute of Purchasing and Supply, Slough
28 November: Workshop for Surrey Tourism Authority, Guildford
December: Institute of Chartered Accountants
December: Sussex Enterprise Chambers of Commerce

The Regional Euro Forum network has held hundreds of similar events and supplied information and assistance to thousands of businesses and advisers. The Forums are also responding to the growing demand from businesses and their advisers for events and presentations focusing on the practical business implications of the arrival of euro cash. Since 30 August 2001, when euro notes were launched by the European Central Bank, the Forums have, on average, held more than one event a day. This effort is being augmented by substantial numbers of events hosted by outside businesses and other partner organisations. Further details can be obtained from HM Treasury's website (www.euro.gov.uk).

Yorkshire & Humberside Forum event: "The euro – now in business"

On 7 February 2001 the **Yorkshire & Humberside Euro Forum** held a conference and workshop in Leeds on the practical issues facing UK businesses, arising from the introduction of the euro in the euro area.

Speakers included representatives from:

Fortis Bank SA/NV (covering banking issues);
Hibernia Foods plc (covering their preparations to deal in euro);
Yorkshire Water (covering their preparations to deal in euro); and
Leeds Business School (covering strategy and pricing issues)

Workshops were held to allow smaller groups to discuss issues in more depth:
Banking issues (including the use of euro bank accounts and currency hedging options);

Legal issues (dealing with existing contracts in legacy currencies and share denomination);

Accountancy (auditing, financial reporting, tax and VAT)

Information Technology (possible issues on conversion of IT systems)

Strategy and pricing (practical issues of the introduction of euro)

Additionally, responding to demand from the Forums, EPU has produced an introductory leaflet, "The euro – is your business prepared for 1 January 2002?", which gives details of further information available, contacts and key dates. This leaflet is being widely distributed by the Forums to businesses, and is also being issued by Customs & Excise with quarterly VAT returns.

The Forums' work will continue whilst there is still a need by business for advice and support. This will be carried out with the help and assistance of business support bodies.

Regional Euro Forum Chairs and Contact Details

The Regional Euro Forums can be contacted via the www.euroforum.org.uk website. Contacts for each Forum are shown below.

East of England

Chair: Neville Reyner (East of England Development Agency)

Contact: Sarah Harris

Forum contact number: 0800 085 0373

East Midlands

Chair: Martin Henry (Lastolite Ltd)

Contact: Tania Osborne

Forum contact number: 0845 601 2327

London

Chair: Paul Smith (Marks & Spencer plc)

Contact: Susan Boles

Forum contact number: 020 7203 1818

North East

Chair: Doug Brown (Palmer (UK) Ltd)

Contact: Steve Tolfrey

Forum contact number: 0800 096 3355

North West

Chair: Martin Morgan (Lloyds TSB)

Contact: Harry Savage

Forum contact number: 0151 288 5137

South East

Chair: Philip Hardaker (KPMG)

Contact: John Crow

Forum contact number: 023 8083 2866

South West

Chair: Dave Mouncey (Solomon Hare)

Contact: Ian Morris

Forum contact number: 0117 900 1700

West Midlands

Chair [acting]: Bill Jones (Charlton PR)

Contact: Gerry Russell

Forum contact number: 024 7623 6593

Yorkshire & Humberside

Chair: Rex Clark (Metanoics)

Contact: Fiona Walshaw

Forum contact number: 0845 140 2222

Northern Ireland

Chair: Colm McKenna (Bank of Ireland)

Contact: Mike Maxwell

Forum contact number: 028 9052 9266

Scotland

Chair: Donald MacInnes (Scottish Enterprise)

Contact: Nuala Boyle

Forum contact number: 0800 917 8699

Wales

Chair: Peter Graham-Woollard (Rizla UK Ltd)

Contact: Yvonne Pope

Forum contact number: 0800 917 9879



UK Consumers and Travellers

Those UK consumers travelling to the euro area will be among the earliest to encounter the euro in cash form. The Government and commercial organisations are producing information to ensure that key issues are understood.

Travellers to the euro area will come into contact with the new euro notes and coins from 1 January 2002, and will need to bear in mind the differing dates for the withdrawal of legacy currencies across the euro area – all will be withdrawn by 28 February, with earlier dates in the Netherlands, the Republic of Ireland and France. Full details of these dates are set out in Chapter 2. Annual holidaymakers returning to the euro area in Summer 2002 will also be affected, particularly if they have stocks of legacy currency which they recycle from year to year, as it will no longer be legal tender.

EPU has been working closely with other Government departments and with bodies across the banking, travel and tourism industries to ensure that this potential impact is understood. Information is available for the public on websites and in hard copy, and many commercial organisations are ensuring that travellers are provided with outline information before they travel.

Before the introduction of euro cash

Travellers to the euro area may have retained “leftover” currency from previous visits in anticipation of future travel. These may be business travellers, who may find that they have stocks of a number of legacy currencies, or UK holidaymakers, who may have a store of one currency from a European holiday in 2001 or earlier. Unless they are travelling to the euro area before 28 February 2002 at the latest, they should take action now.

EPU, together with the Foreign and Commonwealth Office and the Department of Trade and Industry, is producing a leaflet with key facts for business and holiday travellers on the introduction of euro cash. The leaflet helps to explain what the change to euro cash means and what steps can be taken to prepare for it, including what to do with existing legacy currency. The leaflet is being made available through the major UK airports and ports.

UK banks and other foreign exchange outlets will continue to exchange legacy currency **notes** for sterling in the early part of 2002, and many will continue to do so beyond the official withdrawal dates for those currencies. Some, but not all, such organisations will exchange legacy currency notes for euro. Exchange will be carried out at the official exchange rates, although a handling fee will be charged. As at present, legacy currency **coins** will not be exchanged either for sterling or for euro. However,

many banks and foreign exchange outlets, and travel businesses including airlines, ferries and international rail services will continue to offer a charity donation service for unwanted or otherwise unusable foreign currency coinage, with increased prominence as the end of the euro area cash changeover approaches.

Once euro cash is introduced

In the UK, euro cash (notes only) will be available to travellers from 1 January 2002. Travellers journeying to euro area countries across the New Year period are being advised to take legacy currency, since this will still be legal tender in early 2002, subject to the final dates shown in Chapter 2. Travellers departing on or after 1 January 2002 should take euro notes, either obtained in the UK or from euro area sources. Travellers should be aware that retailers across the euro area are being encouraged to give change, where possible, in euro from 1 January 2002, even if payment is tendered in legacy currency or in a mixture of legacy currency and euro.

Euro Notes and Coins

The euro notes and coins are shown on the centre pages of this report. Travellers should be aware that, while all euro notes are identical, each euro area country is producing its own coins, and each country's coins will have different national sides. However, euro coins from any country are legal tender in any of the euro area countries – so, for example, a Spanish euro coin can be used to purchase goods in Finland.

To help travellers understand these issues, a number of commercial and representative organisations are providing leaflets to customers. The Association of Payment Clearing Services (APACS), representing the banking industry, and the Association of British Travel Agents (ABTA) have produced explanatory material which is being made available to travellers in hard copy.

Additionally, details of the new notes and coins, key dates, and outline guidance are available on Government websites:

HM Treasury's euro website at:

www.euro.gov.uk

The Foreign and Commonwealth Office website at:

<http://www.fco.gov.uk/travel/dynpage.asp?Page=407>

The DTI's Consumer Gateway:

http://www.consumer.gov.uk/consumer_web/euro_faq.htm



Preparations for a Possible UK Changeover

The Government is committed to ensuring that the UK has a genuine option to make a decision to join the euro, if that is what Government, Parliament and the people, in a referendum, decide. Preparations, including the publication of two outline National Changeover Plans, have ensured that the UK retains the option to make a decision to join a successful single currency.

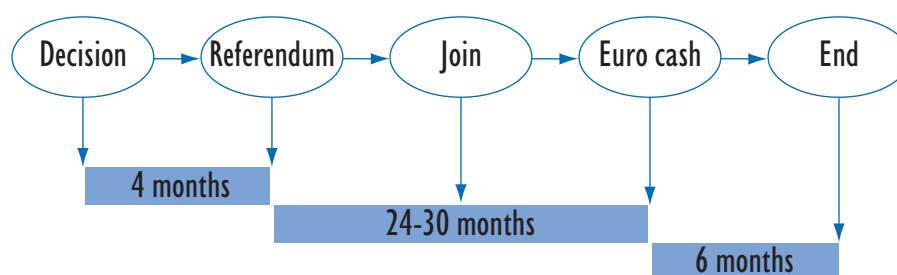
Delivering results through consultation and co-operation

The Government needs to prepare now in order to ensure that the UK has a genuine option to join the single currency if that is what Government, Parliament and the people, in a referendum, decide.

Changeover planning is overseen by the Chancellor's Standing Committee on Euro Preparations, which brings together representatives from key organisations across the economy, including the Governor of the Bank of England, the Secretaries of State for Wales, Northern Ireland and Scotland, the Economic Secretary to the Treasury, the Parliamentary Under-Secretary of State for Competition, Consumers and Markets, the Chair of the Financial Services Authority, the President of the CBI, the President of the British Chambers of Commerce, the General Secretary of the TUC, the President of the British Bankers' Association, the Chair of the British Retail Consortium, the Chair of the Cross Party Group on Euro Preparations, and the Head of the Home Civil Service. The public, private and voluntary sectors are engaged through a network of working groups. Over 100 organisations are represented in changeover planning.

A UK changeover

The illustrative timetable for a UK changeover remains as set out in the two outline National Changeover Plans.



The point at which the UK formally joined the single currency would depend on a number of factors. The European Commission, the ECB and the European Council would need to undertake analysis and make decisions to enable the UK to proceed to membership. Further legislation would be required to ensure the statutes of the Bank of England met the requirements of the EC Treaty.

Progress in both the public and private sectors is ensuring that a clearer picture is emerging of how a changeover in the UK might develop along the illustrative timetable. In outline, under a phased approach:

- Wholesale financial markets trading in sterling would change to euro at UK entry, and the Bank of England is working with market practitioners to set out precisely how the transition would be made in each market. Details are published in the Bank of England's "Practical issues arising from the euro";
- International businesses would also be likely to make greater use of the euro in many aspects of their activity, from UK entry; but
- Smaller businesses and personal customers would be unlikely to switch from sterling until nearer to an introduction of euro cash.

Service providers in both the private and public sectors see the attraction of phasing in services during a transition period. Some services, such as VAT returns and stamp duty on corporate securities, could be available in euro from the start of a transition period. Services aimed at small firms and individuals – for example personal and small business bank accounts, benefit payments and pensions – could be left until later in the process. Like the majority of businesses, most of the public sector would switch its internal operating currency towards the end of a transition period.

Work continues on the logistics and operational implications of an introduction of euro cash – E-day. Work in this area has focused on a range of factors including: patterns of cash use within the economy, and the logistics of distribution; accountancy and internal conversion issues; operational constraints on retailers; and taxation issues.

Public sector planning and preparations

As part of the ongoing modernisation of systems, the public sector has invested £13.0 million since the publication of the Fourth Report on Euro Preparations in November 2000 to build in euro compatibility and deliver technical analysis and design work. This brings the total investment in changeover planning to date to £23.5 million.

This includes £6.4 million by the Department for Work and Pensions, £10.6 million by the Inland Revenue, £4.5 million by Customs & Excise and £0.8 million by EPU.

All central Government departments and key agencies have drawn up strategies for the potential internal conversion of systems and business processes during a changeover. As part of this work, departments have considered a range of issues including programme management, conversion of IT systems and interdependencies with other organisations. These strategies dovetail with the individual outline changeover plans produced by all departments in 1999, which considered what euro services would be provided during a changeover and key planning activities with lead times.

Technical preparations in the public sector – a case study

The Department for Work and Pensions (DWP) is one of the largest organisations in the UK, employing 115,000 staff across 600 sites and providing services to 15 million people. It has some of the largest IT systems in Europe.

DWP has a 15 person team which takes responsibility for all aspects of the day-to-day management of the Departmental euro programme. They focus on generic business issues and the co-ordination of analysis on the potential impact of the euro on the social security system.

Like all government departments, DWP has drawn up an internal conversion strategy. In the event of a UK decision to join the single currency, DWP would adopt a “conceptual big bang” approach to internal conversion. Whilst IT system enhancements and procedural changes would be activated from specific dates (for example, a UK E-day or the end of a dual circulation period), they would be delivered on a rolling programme ahead of these dates. In effect, DWP would not introduce euro services ahead of a UK E-Day, but would phase the workload.

DWP is also building in euro compatibility as it modernises systems. DWP has negotiated a Service Level Agreement with its main IT providers, the AFFINITY consortium, that all new systems should be built with euro compatibility. This will minimise the amount of work and investment that would be needed to deliver a changeover in the event of a UK decision to join the single currency.

In addition, central Government has moved forward its understanding of a number of key technical issues. Inland Revenue, Customs & Excise and DWP have disseminated many of the lessons from their technical analysis and design work to the rest of the public sector. Cross-departmental working groups have produced advice on systems issues and euro compatibility (see box overleaf), internal conversion, rounding and smoothing of monetary amounts and procurement. This technical work will continue.

Progress has also been made in the wider public sector. All NHS bodies produced individual changeover plans at the end of 2000 as part of a limited management pre-planning exercise. The exercise confirmed that no further NHS-wide preparations work will be required before a UK decision to join the single currency.

The experience of the euro area suggests that local authorities should also undertake preparatory work at an early stage. Finalising preparations in local government remains a key challenge for the euro area – particularly in the smallest authorities. Countries have benefited from issuing guidance and offering support. This is an area where the UK has the opportunity to build on what the euro area has delivered. The Department for Transport, Local Government and the Regions and EPU are working together with a range of key representative bodies and practitioners to develop a set of planning tools which will assist local authorities and other local public bodies to take forward changeover planning.

Wider preparations work

Work has also been undertaken in a number of other key areas:

- Progress has been made on technical issues that would affect sectors across the economy during a changeover: euro compatibility; conversion; rounding and smoothing; systems design; the treatment of historic data; and operational support. Some of this analysis is being led by central Government. Other important work is underway in the banking, utilities and insurance sectors. Advice is being made available to organisations within both the public and private sectors;
- Work is ongoing to follow and analyse the experiences of the euro area in order to assist the development of the draft Consumers Code of Practice. This builds on work carried out by the Consumer and Retail Issues Working Group to develop draft sectoral codes of practice based on the core principles outlined in the second outline National Changeover Plan; and
- The Information Working Group is continuing to take forward work on information issues, including how the provision of information for citizens, including vulnerable groups, and businesses could support a phased changeover.

Euro compatibility

There is no simple definition of euro compatibility. In general terms, it is a measure of the ability of policies, processes or systems to accommodate the euro. However, what is meant by “accommodate the euro” varies significantly depending on the services to be offered by a particular policy, process or system, and the timing of its implementation and decommissioning in relation to any possible UK changeover. In

other words, the meaning of euro compatibility depends on the point during a UK changeover when a particular policy, process or system might operate, and on the type of services it would need to support.

In many cases, euro compatibility can be incorporated as part of new or upgraded systems at marginal cost. The cost of altering existing systems to accommodate the euro in the event of a UK decision to join the single currency, however, could be significant. In many cases, therefore, building in euro compatibility as part of system development will represent good value for money.

Central Government departments have been tasked with building in euro compatibility as part of the ongoing modernisation of public sector systems. As the Prime Minister said when he launched the first outline National Changeover Plan in February 1999; “where computer systems are being upgraded, all departments will build in euro compatibility where that represents value for money.” Over the last year, the public sector Conversion Working Group has taken forward work to develop a set of guidelines on euro compatibility for the public sector. These guidelines have already been rolled out to central Government.

Learning from the euro area

EPU has been monitoring the experiences of the twelve countries in the euro area to ensure that relevant and reliable information on the logistical and managerial requirements of a changeover is obtained, to inform any possible UK changeover. EPU has worked closely with key stakeholders, including the Royal Mint, the Bank of England and business representatives, to make the most of this unique opportunity.

Throughout 2001, EPU and the Bank of England have undertaken programmes of fact-finding with euro area contacts, in close cooperation with the Foreign and Commonwealth Office. Stakeholders have been encouraged to share information at meetings involving experts from the euro area. European Commission-sponsored networks on euro preparations have also been important channels for information. Future work will include the strategy for drawing on the experience of the final phase of the cash changeover in the euro area, and consolidating evidence during the first half of 2002.

Observations from participating member states, European institutions and independent observers are also informative. Member states frequently issue updates on the progress of their own changeovers, and the European Commission has produced a number of useful overviews (see box overleaf).

Examples of good practice for a changeover

The European Commission has played an important co-ordination role throughout the changeover in the euro area, including the resolution of cross-sectoral issues and the identification of common themes. The recent report from the Commission on the changeover in the euro area identified areas of good practice. For example:

Setting of prices in euro, together with the national currency equivalent. The Commission has identified dual pricing as an important mechanism for helping consumers to acquire reference points in the new currency.

Timely adaptation of cash dispensers to the euro. The Commission believes that conversion of cash dispensers would be essential for a fast changeover to the euro, minimising delays in retail outlets and ensuring a rapid increase in the proportion of payments made in euro.

Training of retail staff in the handling of euro notes and coins. The Commission suggests that public authorities and trade associations should build on the work already being carried out by National Central Banks to ensure that retail staff will be familiar with the new currency.

Providing targeted information to vulnerable groups. The Commission recognises the importance of reaching groups who are often left out of “traditional” information campaigns. These include the homeless, the elderly and non-native speakers. Local authorities have a key role to play here.

Compliance by traders with the commitment to overall price stability. The Commission has identified this approach as an important part of maintaining consumer confidence during the first few weeks of a changeover.

Taking together the experiences of the euro area changeover and the consultation in the UK, a number of key lessons are emerging:

- There are major differences between projects like the Millennium Bug or decimalisation, and the euro changeover. Although some of the project management lessons are helpful, the technical and communication challenges of a changeover are very different because, unlike the Millennium Bug, a range of systems, operations and functions would need adapting, and unlike decimalisation, the base currency would change;
- All euro area countries have now adopted a two-month or shorter period for dual circulation rather than six months – and in practice they believe that the bulk of euro cash can be introduced in the first week;
- The public sector can play a key role in leading change, not only by making early preparations itself, but also by providing practical guidelines to all sectors, by using civil servants as information multipliers and by setting an

example of good practice, especially in dual pricing and measures to protect consumer confidence;

- The phased approach to a changeover is a sound planning assumption;
- Intensive education of the public about euro cash can wait until closer to the arrival of euro cash (although it can continue at a low level throughout the transition) but the end of the process needs to be intensive. For many of the vulnerable groups, a significant face-to-face and heavily targeted content is helpful; and
- Early planning helps to create the conditions for a smooth changeover and to reduce costs. Social partners must work together from the outset. This is why it is right that the UK Government has already started making investments, that the project management structure in Government (the Euro Ministers Committee) is already in place, and why the consultation must continue to widen and deepen, under the outline National Changeover Plan.

Next steps

Changeover planning will continue to build on the results achieved over the last year, within the Government's overall policy framework.

- EPU and the Bank of England will undertake rigorous monitoring of the final changeover in the euro area, and draw out lessons for UK changeover planning;
- The Bank of England will continue to take the lead in coordinating, where necessary, preparations in the City and will continue to publish "Practical issues arising from the euro";
- EPU will lead consultation on information elements of a phased approach to a changeover, monitoring the experience of the euro area;
- Changeover planning will be extended to local authorities and other local public bodies in early 2002;
- EPU will investigate options by end-2001 for managing a changeover; and
- EPU will co-ordinate a further series of meetings during Winter 2001, bringing together experts from the euro area with key stakeholders within the UK to provide a robust planning framework.

Questions and Answers

General

Q: How much is a euro worth?

A: The exchange rate between sterling and euro varies. The current rate is reported in most daily newspapers. The fixed rates between the euro and the 12 legacy currencies are shown in Chapter 2.

Q: Which countries will use euro cash from 1 January 2002?

A: Austria, Belgium, Finland, France, Germany, Greece, the Republic of Ireland, Italy, Luxembourg, the Netherlands, Portugal, and Spain.

Q: Will euro cash be used anywhere outside these 12 countries?

A: Euro coins will be used by Andorra, Monaco, San Marino, and Vatican City, and the euro will be legal tender in these countries. In addition several overseas territories of the 12 euro area countries will also be using the euro. These include the Canaries, Madeira, the Azores, and the French Outre-Mer territories (Guyana, Martinique, Guadeloupe, Reunion and the collective territories of Mayotte and St Pierre and Miquelon).

Q: Can I spend euro in the UK?

A: The euro will not be legal tender in the UK. However, several major retailers have said that they are prepared to accept euro cash, just as they accept other major foreign currencies such as the dollar.

Travel

Q: For how long can I use my legacy currency?

A: You will be able to spend legacy currency in shops in most of the euro area countries until 28 February 2002. France (17 February), the Republic of Ireland (9 February) and the Netherlands (28 January) have slightly earlier final dates for spending their existing currency.

Q: Can I spend a euro produced in one country in another?

A: Yes. All euro coins will have a common face denoting the value of the coin, and a national face indicating where it was issued. However, regardless of where the coin was issued they are legal tender and will be accepted throughout the euro area. The euro notes are identical, and can also be spent anywhere within the euro area.

Q: If I use legacy currency for payments in the euro area, in which currency will I receive my change?

A: From 1 January 2002, traders across the euro area are being encouraged to give change in euro where possible, in order to smooth the introduction of the new currency.

Q: Where can I change legacy currency?

A: In the euro area, legacy currency can be exchanged at face value for euro at banks and bureaux de change. In the UK, legacy currency notes can be exchanged for sterling in banks and bureaux de change until the end of February 2002. After this date, some banks may continue to exchange legacy currency for sterling. Many banks will exchange legacy currency notes for euro, which will be carried out at the official exchange rate, although a handling charge may be made. As at present, UK banks will not exchange legacy currency coins.

Q: For how long will it be possible to change legacy currency for euros?

A: The final dates for changing legacy currency in the euro area countries can be found in Chapter 2.

Business

Q: Why should UK businesses prepare for the euro?

A: Around half of all SMEs say they have trading links with Europe. These firms need to be aware of, and prepare for, a range of issues including the effects of increased competition; marketing and pricing; methods of raising finance; price transparency, and market changes generally.

Q: How do I know if my business should prepare for the euro?

A: HM Treasury's euro website (www.euro.gov.uk) contains a simple self-test tool which will enable firms to evaluate whether they are likely to be affected, and gives indications of what they need to do to prepare for the euro changeover in the euro area.

Q: What does a UK business have to do to prepare for the change to the euro on 1 January 2002?

A: That depends on the firm. The self-test described above will enable firms to evaluate what they need to do to prepare for the euro changeover in the euro area. This will direct firms to relevant advice including factsheets and case studies.

Q: Where can I find further information about what should be done to prepare UK business for the euro area?

A: There are 12 Regional Euro Forums across the country, which disseminate information on the euro area, the euro and its effect on UK business. The contact details for these forums are listed in Chapter 4.

Q: Do I have to use euro in business dealings with euro area companies?

A: No. However, a business needs to consider whether it would be in their interest to do so in order to meet customer or supplier requirements.

Q. Will I have to change my IT systems? How do I find out what constitutes euro compliance in IT systems?

A: UK businesses which wish to offer services in euro may have to make adjustments to their IT systems. Such systems may not need a major overhaul; it may simply be a case of setting up a new ledger in euro and changing currency markers to euro on any system set up to print invoices. For further advice contact your software suppliers or visit: www.basda.org.

Q: If a business has outstanding bills with European trading partners from before 1 January 2002 that will be paid after that date, what currency should be used?

A: Businesses should seek, where possible, to settle the amount outstanding in the currency stipulated on the invoice. However, where an invoice specifies payment in a legacy currency, this will not be possible after 31 December 2001, so the invoice should be settled with the exact equivalent in euro.

Preparations for possible UK entry

Q: Is the UK planning to join the euro?

A: The Government's policy on membership of the single currency remains as set out by the Chancellor in October 1997. In principle the Government is in favour of UK membership of EMU; in practice the economic conditions must be right.

Q: How will the Government decide whether to join?

A: The determining factor underpinning any Government decision on membership of the single currency is the national economic interest and whether the economic case for joining is clear and unambiguous. The Government has set out five economic tests which must be met before any decision to join can be made. The Government has said that an assessment of the five tests will be produced within two years of the start of this Parliament. On the basis of the assessment, the Government will take a decision on whether the five tests have been met. The Government believes that, if a decision to recommend joining is taken by the Government, it should be put to a vote in Parliament and then to a referendum of the British people.

Q: What is changeover planning?

A: Preparations need to be made so that, should the economic tests be met, a decision to join a successful single currency could be made. Without preparation, it would not be a practical option. The Government co-ordinates planning to facilitate the appropriate level of preparations. This involves: identifying those areas that would be key to a smooth and cost effective changeover; working together with key parties and helping to agree effective ways forward; providing a planning framework against which organisations can take forward their planning; setting out a critical path; and showing a lead in the public sector.

