

COMMITTEE ON EUROPEAN AND EXTERNAL AFFAIRS EUR-02-02(p.3)

Date	20 March 2002
Time	9:30am
Venue	Committee Rooms 3 and 4, National Assembly Building
Title	Implications of the Euro

Purpose

1. To outline action being taken to address the implications for Wales following the launch of the single currency on 1 January 2002.

Recommendation

2. Members note the contents of the report.

Background

3. At its last meeting on 13 February 2002, the Committee requested a paper on the implications for Wales of the introduction of the single currency.
4. The attached paper explores some of the implications for Wales as a result of the introduction of Euro notes and coins in twelve of the fifteen EU Member States on 1 January 2002. It looks at the work of the Euro Task Force since it was established in 1998 and explores the question of providing continuing information and practical guidance on the Euro to businesses in Wales. It also sets out the latest position with regard to public sector preparations.

Compliance

5. There are no issues of regularity or propriety. The Task Force operates within the provisions of the Industrial Development Act 1982, the functions of which have been transferred to the Assembly and delegated to First Minister. The Assembly Compliance Office has already been consulted and is content with the compliance aspects.

Financial Implications

6. There are no additional financial implications for the Assembly arising from the issues covered in this report.

European and External Affairs Division

EURO

Background

1. The single currency was officially launched on 1 January 1999 with eleven members. Greece joined on 1 January 2001. The twelve members – Belgium, Austria, France, Finland, Luxembourg, Italy, Netherlands, Germany, Portugal, Ireland, Greece and Spain – introduced notes and coins on 1 January 2002.
2. The remaining three members of the EU - Denmark, Sweden and the UK - have not joined but retain the option to do so.
3. Following the introduction of notes and coins there was a short period of time (varying from country to country), when people were able to use either the Euro or the old currency, until 28 February when the old currencies were withdrawn. Only the Euro is now accepted in the twelve participating countries.

UK Government's position

4. Membership or otherwise of the single currency is not a devolved responsibility. The UK Government has stated that it is in favour in principle of membership of the Euro. It sees no constitutional impediments to Britain joining but has laid down 5 economic tests that need to be satisfied before any decision is taken:
 1. **sustainable convergence** between Britain and the economies of a single currency;
 2. whether there is sufficient **flexibility** to cope with economic change;
 3. effect on **investment**;
 4. impact on our **financial services industry**; and
 5. whether it is good for **employment**.
1. The UK Government has pledged to assess whether these conditions are met within 2 years of the current Parliament. If these are met it will then recommend to Parliament that Britain joins and put the decision before people in a national referendum. The introduction of notes and coins on 1 January has not changed this policy.

Implications for Wales

2. The introduction of Euro notes and coins will impact on Wales in the same way as the rest of the UK. Companies here, particularly those with trading links to the EU, will have to decide how to react to this major change in the business environment – in much the same way as e-commerce.
3. The Euro will bring increased competition, marketing and pricing as well as market threats and opportunities generally.
4. The EU is an important trade and investment partner – In 2000, in excess of 70% of Welsh exports were to the EU (the value of exports to the EU from Wales that year was £4,275m). The latest figures available

- show that in the 2nd quarter of 2001, 1,390 Welsh companies were recorded as exporting to the EU.
5. Initial impacts are likely to fall on direct importers and exporters, but those supplying larger UK-based companies which deal with the EU may also be asked to price and invoice in Euro. Those with their main competitors in the Euro area may be asked to tender for contracts in Euro, even where previous dealings have been in sterling rather than existing European currencies.
 6. The Euro changeover will generally have a low direct impact on Welsh citizens. The Euro will circulate in the same way as legacy currencies have in the past – accepted in border areas (such as the ports of Holyhead and Fishguard), some tourist sites and large retailers. Exposure to the Euro will principally be as a result of foreign travel.

Role of Welsh Assembly Government

7. The role of the Welsh Assembly Government is two fold – it has a responsibility to ensure that business in Wales is alert to the many consequences and opportunities of Economic Monetary Union. It also has a responsibility to ensure that the Assembly and its Assembly Sponsored Public Bodies (ASPBs) are in a position to ensure an effective changeover to the Euro in the event of a "yes" vote.

Business and The Euro Task Force for Wales

8. The Euro Task Force for Wales was established in November 1998 with the remit of disseminating information on the Euro and providing help to businesses in preparing for the introduction of the Euro, regardless of whether the UK joins the single currency. It is chaired by Peter Graham-Woollard (Rizla UK) and includes representatives from the business community in Wales.
9. The work of the group has been taken forward in a number of ways, including conferences, exhibitions, a telephone helpline with access to an expert panel, an information website and leaflet distribution.
10. The Task Force manager is John Casterton, a retired Director from Barclays Bank. Since the formation of the Task Force, John has made over 40 presentations to a number of interest groups including business and tourist organisations. The Task Force's website is used on a regular basis – in January 2002, for example, there were 728 visits and 386 accesses. The attached annex sets out for details of the Task Force activities. Examples of the materials sent out to businesses in Wales will be forwarded to members separately.
11. It was agreed early in 2001 that the main Task Force should only meet when appropriate – ie when a specific issue arises for discussion requiring the whole membership arose – but that the entire membership of the Task Force should be kept informed regularly of events.
12. Following this decision a Euro Task Force Steering group was formed consisting of a number of key members from the main Task Force. The group has met regularly since then to discuss the planning of the Task Force's future activity.
13. Early on in the life of the Task Force it became apparent that many businesses were slow to recognise the implications of the Euro and could/would not see the relevance of the Euro to their business. Since then, the response has been varied and there has been a slight upsurge in interest more recently, with the introduction of notes and coins. Prior to the introduction of notes and coins, the Task Force held a media conference on 1 November chaired by the First Minister at the Assembly to press home the need for businesses in Wales to be aware of the possible implications of the Euro's introduction.
14. In England, the view has been taken that the work of the Forums (equivalent of the Task Force) is coming to an end (although no specific cut-off date has been agreed) and there are moves to transfer Euro information and the Euro website to SBS and Business Links. At its last meeting on 28 January, the Task

Force Steering Group agreed that it would continue until at least the end of June, but would review its position again when it meets next in April/May.

15. While the work of the Task Force in its present form may have been largely overtaken by events, there appears to be a continuing call for businesses in Wales to be provided with information and practical advice on the Euro for the future. Consequently, the Steering Group plan to invite representatives from the Confederation of British Industry and the Federation of Small Businesses to their next meeting to hear from them what they are doing and to help them come to a view on whether there is a future role for the Group. The Cardiff Chamber of Commerce and the Wales Tourist Board have also been approached to find out how they consider the introduction of the Euro is going in relation to commerce generally and, more specifically, the six nations Rugby tournament. They were not aware of any incidents of non-acceptance of the Euro – retailers and hoteliers are accepting and giving back change in sterling. They have also been invited to consider whether more could be done.

Public sector

16. Public sector preparations in the event of a "yes" vote are being taken forward for the whole of the UK through the Treasury-led Euro Co-ordinators Group, of which officials from the Assembly Government and the other Devolved Administrations are members.
17. **As a part of this, all Government Departments and the Devolved Administrations (including the Assembly) are considering changeover plans for possible conversion to the Euro.**

European and External Affairs Division

THE EURO TASKFORCE FOR WALES

The Euro Taskforce for Wales was set up by the Welsh Office in late 1998. The Taskforce exists to make Welsh business aware of the issues which might affect them following the arrival of the euro in the 12 countries making up eurozone. It has nothing at all to do with whether the UK joins, or does not join, the euro.

What has it done?

The thrust has been in 6 main areas:-

- 1) The delivery of brochures and other information direct to businesses outlining the major issues which could affect them. The major issues are detailed below.
- 2) The setting up of a website (www.waleseic.org.uk/task) to compliment the paper brochures; providing more

information; and advertising forthcoming euro events within Wales.

3) The setting up of a free helpline telephone so that questions may be asked and answers given and also further information made available to enquirers.

4) Raising the profile of the "euro in business" in the media, newspapers etc, radio and television. Also the writing of articles for publications within specific industries e.g. tourism, vehicle component manufacture.

5) Speaking at seminars etc. across Wales in an attempt to raise the profile of the "euro in business"

6) Standing at appropriate Trade Shows.

What are the major issues?

Briefly these are the answers to the simple question "What effect will it have on Welsh business when circa 310m people on our doorstep realise they are all using the same currency?" Although the euro has been in existence now for in excess of 3 years it is only just dawning on the majority of those circa 310m people that it does exist now that notes and coin are in circulation. It will affect the following departments of a business:-

1) Sales and purchases

2) Marketing

3) Human resources

4) I/T

5) Legal

6) Finance

Therefore businesses need to consider:-

1) Are they going to accept the euro? (The euro is not legal tender in the UK and does not, legally have to be accepted.) If not, how will their business be affected by the competition who are taking a different view? How do you advertise the fact that you are euro friendly?

2) What staff training is necessary?

3) What are the IT implications?

4) How are they going to price their goods in euros (price transparency) and handle the exchange risk?

5) When they have euros what are they going to do with them? Are there purchases which could be made using euros? As an example a firm of Solicitors may decide that as they have many clients who have euro income they should quote their fees in euros. They could use this approach to gain other clients from solicitors who do not take such a view. With the euro income they could probably finance their car fleet which may be cheaper than doing so in sterling. (Euro interest rates are lower than those for sterling).

6) Are there any legal implications which need to be addressed?

7) What changes to the banking arrangements need to be made?"

WEBSITE STATISTICS FROM JANUARY 2001

2001

January

No. of visits 552

Accesses 3158

Distinct Internet Addresses 279

February

No. of visits 411

Accesses 2541

Distinct Internet Addresses 192

March

No. of visits 516

Accesses 3311

Distinct Internet Addresses 263

April

No. of visits 503

Accesses 4143

Distinct Internet Addresses 232

May

No. of visits 535

Accesses 3807

Distinct Internet Addresses 244

June

No. of visits 589

Accesses 4222

Distinct Internet Addresses 252

July

No. of visits 466

Accesses 3953

Distinct Internet Addresses 185

August

No. of visits 505

Accesses 3280

Distinct Internet Addresses 196

September

No. of visits 443
Accesses 2819
Distinct Internet Addresses 187

October
No. of visits 455
Accesses 3914
Distinct Internet Addresses 212

November
No. of visits 903
Accesses 8667
Distinct Internet Addresses 338

December
No. of visits 564
Accesses 4531
Distinct Internet Addresses 220

2002

January
No. of visits 728
Accesses 9027
Distinct Internet Addresses 386

February
No. of visits 542
Accesses 5727
Distinct Internet Addresses 269

PRESENTATIONS

Below are details of the presentations made by John Casterton the Euro Taskforce Manager.

DATE	ORGANISATION	VENUE
25/01/2000	West Wales Exporters Association	Swansea
16/02/2000	Business Connect S. E. Wales	Cardiff
20/03/2000	Llantwit Major Rotary Club	Llantwit
31/05/2000	Valley's Enterprise	Ebbw Vale
14/06/2000	Gwynedd County Council	Caernarfon

20/06/2000	Gwent Business Forum	Cwmbran
23/06/2000	Business Connect Denbighshire	St Asaph
27/06/2000	Young Enterprise	Mountain Ash
06/07/2000	Business Connect Denbighshire (info mgers)	St Asaph
27/09/2000	Pembrokeshire Business Club	Pembroke Dock
29/11/2000	Vale of Glamorgan Council	Barry
29/11/2000	Cardiff/Stuttgart Association	Cardiff
05/12/2000	Mid Wales Tourism	Dolgellau
08/12/2000	Business Connect Neath	Port Talbot
15/12/2000	National Assembly International Staff	Cardiff
24/04/2001	Cardiff Bay Business Club	Cardiff Bay
27/04/2001	South Wales Automotive Forum	Cardiff
02/05/2001	Business Connect Cardigan	Newcastle Emlyn
05/06/2001	Business Connect Lampeter (Manufacturing)	Lampeter
05/06/2001	Business Connect Lampeter (Retail)	Lampeter
13/06/2001	Tourism, South and West Wales	Cardiff
20/06/2001	WDA	Holyhead
25/06/2001	WDA	Newtown
26/06/2001	WDA	Amlwch
27/06/2001	Business Connect Cardigan	Newcastle Emlyn
03/07/2001	WDA	St Asaph
05/07/2001	North Wales Automotive Forum	Wrexham
05/07/2001	Shephard Hallett (Accountants)	Cardiff

17/07/2001	Accounting Alliance Cardiff	Keynsham
18/07/2001	WDA	St Asaph
19/07/2001	WDA	Llandudno
25/07/2001	Valleys Tourism	Llwypic
07/09/2001	National Assembly	Cardiff
21/09/2001	Workwell, North Wales Forum	St Asaph
26/09/2001	North Wales Exporters Club	Colwyn Bay
11/10/2001	Business Connect Denbighshire	Holywell
11/10/2001	Business Connect Denbighshire	Llandudno
12/10/2001	Business Connect Denbighshire	Llangefni
24/10/2001	Wales Exporters Association	Hensol
24/10/2001	Chartered Institute of Secretaries	Cardiff
25/10/2001	WDA	Cardiff
30/10/2001	Wales Exporters Association	Newtown
02/11/2001	Valleys Innovation Partnership	Porth
06/11/2001	WDA	Cardiff
10/12/2001	ELWA Staff	Bedwas
10/12/2001	Vale of Glamorgan 41 club	Llanbethian
13/12/2001	Business Connect S.E. Wales	Cardiff
12/02/2002	Mold 2000 Organisation	Mold
13/02/2002	North Wales Associate Groups	St Asaph
06/03/2002	Coleg Gwent	Newport
15/03/2002	Wye Valley Tourism Association	Tintern

19/03/2002	Vale of Glamorgan Acc. Forum	Rhose
21/03/2002	Business Connect Llandudno	Llandudno
25/03/2002	Export Wales	Newtown
26/03/2002	Cowbridge Chamber of Trade	Cowbridge
28/03/2003	Bridgend Tourism Association	Bridgend
26/04/2002	Wales Women's Network Conference	Cardiff Bay