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File: Preps for the Euro

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OF 051623Z DECEMBER 01

INFO PRIORITY BANK OF ENGLAND, CABINET OFFICE, DTI, EU POSTS

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SUBJECT: EURO CHANGEOVER: IRELAND

SUMMARY

1. Changeover campaign in full stride. Business and public awareness has grown significantly in the last three months. Risk of confusing punters at the last minute by switching presentation of conversion rates. Cash changeover on track. Northern Ireland dimension.

DETAIL

Public awareness

2. The Irish Government changeover campaign run by the Euro Changeover Board of Ireland (ECBI) has reached full stride in the last 12 weeks. Information, advertisements and business preparations are now more visible than they had been up until the summer. The advertising campaign, "The Change is in Your Pocket", has run more frequently and with the addition of signed versions for the deaf. Poster campaigns by the ECBI and other organisations have been stepped-up in the streets, public buildings and on public transport. In addition to standard messages relaying the Punt/euro rate, there have been targeted posters informing e.g. welfare recipients and pensioners that payments will be in euros from 2 January.

3. The ECBI has switched the conversion rate for the latest advertisements for the third time. In summer 2000 the ECBI reversed its campaign rate of 0.787564 Pounds/euro, opting instead for 1.27 euro/pound. This was on the advice of PR advisers who suggested the public would find this conversion psychologically

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easier to handle. To some extent the strategy was successful: latest polls by the ECBI showed 79 percent were aware of the 1.27 euro/pound rate. But with the introduction of the currency imminent, the ECBI is anxious to get the public thinking in Euro and then converting to Pounds. The latest publicity features a 0.79 Pounds/euro conversion. While the ECBI's theory may be sound, it could prove a calculation too far for those struggling to make sense of their "third" rate.

4. The public information budget for the changeover has been 20 million euro, roughly 5 euro per capita. In addition to the television and poster campaigns, this has funded the printing and distribution of both a euro information booklet and a single-function electronic converter to every household. Every household should have now received the booklet, and delivery of converters is well under way. The ECBI has also set-up a call centre in Cork to deal with public enquiries, because its office was overwhelmed by calls. The call centre has a staff of six answering an average of 220 calls per day. Overall the ECBI are claiming astonishing results from the publicity campaign; their latest poll, not yet published, claims 98 percent of the population expect to use the euro on 1 January.

5. Despite some wild scare stories (including that pubs would only accept euro after midnight on 1 January), the press has focussed mainly on the potential for profiteering by unscrupulous retailers rounding-up prices. Because Ireland is the only country where the euro price will be higher than the legacy currency price, there is a particular risk of inflated prices here. The flow of articles warning customers to be wary has drawn attention to a voluntary accreditation scheme run by the Office of Consumer Affairs and convinced most retailers to take a short-term loss rather than risk being "named and shamed". Ironically only the state-owned public transport company (CIE) admitted plans to round-up some prices. CIE operate an exact fare system and argued that "unsmoothed" fares would cause delays. CIE asked the Minister for Public Enterprise, Mary O'Rourke, to allow them to round up some fares to the nearest convenient smooth figure. It had complained that, if it was forced to round down all fares, it would lose IR5 million over the first six months. The Government refused.

Cash changeover

6. The Central Bank of Ireland (CBoI) has now completed the front-loading of coins to banks. Front-loading of notes is well underway and the CBoI told us they would complete it before Christmas. Retail starter packs of 6.36 euro (5 Pounds) will go on sale to the public on 14 December in what the ECBI described as "ugly" packaging designed to make people spend the coins rather than keep the pack as a souvenir.

7. The banks and the ECBI are confident that their timetable to change over ATMs will run smoothly. They plan to shut down every ATM at 0130 on 1 January and aim to reopen the busiest machines by 0800. The ECBI estimate 80 percent of machines will reopen on 1 January with the remainder (mainly off-site machines in e.g. colleges) opening on 2 January. With the average machine processing 400 withdrawals of an average E65 per day, the ECBI are confident that Euros will circulate quickly. Critics have suggested that New Year revellers might object to closed cashpoints on their journey home, but the banks claim they will make all customers aware of the shutdown well before 1 January.

8. There are no official plans to encourage more electronic payments though some individual retailers are highlighting the advantages in their own publicity campaign. The Bank of Ireland has also urged its customers to use their "Laser" debit cards as often as possible in the days after New Year. In contrast the Irish Government argue that high cash use will hasten distribution of and familiarity with the euro. The issue of mixed payments has not had a high profile, but the ECBI's handbook advises customers to use one or the other, and some other organisations have drawn attention to the particular difficulties mixed payments might cause (e.g. delays on public transport).

9. There have been no reports of significant counterfeiting, laundering or theft. The only high-profile case to date was that of the Dublin man who received in Spain E300,000 instead of 300,000 pesetas in an erroneous bank transfer and who subsequently refused to return the money. Whilst the case was embarrassing for the bank (Bank of Ireland), it served the useful purpose of raising public interest and awareness further.

Banking preparations

10. Banking preparations are well advanced. The retail banks have met under the aegis of the Irish Bankers Federation since 1998 to

co-ordinate approaches to the "big bang" account conversion on 1 January. Banks will close for business from Friday 28 December until 2 January, including 31 December, to allow the account changeover to take place. Although each bank operates a different IT system, all are confident that they can convert personal and company accounts in that time.

Retail preparations

11. Most retailers are reportedly adequately prepared. Larger retailers have had their changeover plans in place for some time and the Government's campaign to bring small retailers up to speed has paid off. Forfas, the Government's enterprise agency, distributed euro training kits to all of Ireland's 40,000 retailers. As well as including converters, posters and other training aids, the kits advised retailers to make arrangements with their banks and insurance brokers if they had not already done so. ECBI told us banks and insurers reported a surge of interest from small and medium retailers as a result.

12. The only sector known to be under-prepared is the taxi industry. The Taxi Federation had to wait until it received permission from local councils on 12 November to alter fares before beginning recalibrating meters. The process of recalibrating Dublin's 7,000 taxis has begun but, because only the National Standards authority can certify recalibrations, the whole taxi fleet will not be completed until March 2002. In the meantime drivers will be issued with converters to translate the Pound fare into euro.

Northern Ireland

13. Press attention has focussed increasingly on the future status of the euro in Northern Ireland. Many retailers in the North accept Irish Pounds and consequently are grappling with the implications of the euro changeover. Those in the border counties are thought to have made at least some preparations for the changeover, but there has been concern that other businesses further from the border may not be as prepared and that revenues from e.g. tourism, trade and cross-border shoppers may suffer as a result. The move this week by a Member of the Northern Ireland Assembly to secure legal tender status for the euro in Northern Ireland has received some coverage in the Irish press.

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DISTRIBUTION

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MAIN 10

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ADDITIONAL 6

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DCMS//MR HELSTON
OGC
TSY SOLS//M C THOMAS
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