



<http://europe.eu.int/en/comm/dg23/index.htm>

euro

web site: <http://euro.eu.int/euro>



The

euro

and the tourism  
industry



EUROPEAN COMMISSION

DG X - Information programme for the European citizen  
D G XXIII - Tourism Directorate

This report was written by Guillaume Lepecq, Director, Corporate Relations of the Association for the Monetary Union of Europe as a contribution to the conference organised by the European Commission on 16 October 1998, on "The euro and tourism: opportunities and strategies for businesses". Its purpose is to stimulate tourism companies in view of finalising a practical guide to facilitate corporate preparation for the euro. It has received the support of the European Commission, but does not commit its responsibility.



Published by the European Commission in cooperation with the Association for the Monetary Union of Europe.

European Commission  
web site: <http://euro.eu.int/euro>

Association for the Monetary Union of Europe  
26, rue de la Pépinière, 75008 Paris, France  
Tél.: 33 1 44 70 60 30  
Fax: 33 1 45 22 33 77  
e.mail: [info@amue.org](mailto:info@amue.org)  
web site: <http://www.amue.org>



This guide was first published in October 1998

Copies for public distribution are allowed on a non-commercial basis provided that the publisher and the support of the European Commission are mentioned.



# Table of contents

---

	Executive summary	4
	The framework for the introduction of the euro	6
	Implementing a euro action plan	10
	The customer interface	13
	The supply chain	17
	Legal issues	19
	Payment instruments	22
	Staff training	25
	Administration	27
	Check-lists	29
	Appendix	35



# Executive summary

## The euro will boost the tourism industry

On 1 January 1999, 11 countries of the European Union will adopt the euro as their official currency, thus creating a monetary zone of 291 million inhabitants representing 18 % of the world GDP and the leading tourist destination in the world. Economic and Monetary Union will stimulate intra-European trade and cross-border investment which will boost business travel, and will facilitate travel within the European Union for tourists. The tourism sector is expecting to strongly benefit from the euro.

### *The Europeans on Holidays: where do they stay?*

*The tourist industry accounts for 5.5% of the Gross Domestic Product of the European Union, and for one third of service exports. Tourism directly employs over 9 million people across the European Union - 6% of total employment - and a much higher percentage in some regions. It also indirectly creates millions of jobs in connected services.*

*Over 1 European in 5 travels within the Union each year. Expenditure by tourists amounts to ECU 146 billion per year (excluding transport services).*

### Top destinations by originating Member State <sup>(1)</sup>

Originating Member State	Number 1 Destination	Number 2 Destination	EU Country <sup>(2)</sup>	country outside the EU
A	Italy (19%)	Greece (13%)	65%	14%
B	France (24%)	Spain (21%)	74%	13%
D	Spain (17%)	Italy (15%)	73%	9%
DK	France (10%)	Greece (9%)	59%	9%
E	France (2%)	Portugal (2%)	10%	4%
F	Spain (7%)	UK (2%)	22%	8%
FIN	Spain (8%)	Sweden (6%)	32%	6%
GR	Germany (2%)	France (2%)	8%	1%
I	France (8%)	Spain (4%)	25%	5%
IRE	Spain (19%)	UK (18%)	58%	14%
L	France (23%)	Spain (19%)	91%	10%
NL	France (20%)	Spain (9%)	67%	9%
P	Spain (9%)	France (4%)	19%	2%
S	Spain (12%)	Greece (10%)	53%	8%
UK	Spain (18%)	France (9%)	52%	16%
EUM	France (19%)	Spain (19%)	44%	9%

Source:  
Eurostat/DG XXIII  
Eurobarometer 1997-  
1998 - Facts and  
Figures about  
Europeans on holidays.

(1) Excludes stays in  
their home  
country

(2) includes Number  
1 and Number 2  
destination

The cost and complexity of dealing with several currencies will be reduced and will disappear for companies active only inside the euro-zone. Expenses related to foreign-exchange risk are estimated at 5% of the cost of foreign travel<sup>(1)</sup>. The euro will hence create potential savings of ECU 4 billion per year. Hedging costs are mainly incurred due to the fact that operators book their capacities 12 to 18 months in advance and therefore have to hedge their currency exposures .

The elimination of foreign exchange risk, cheaper cross-border transaction costs and the transparency of prices within the euro zone will all contribute to reduce the cost of travelling and hence provide a positive impact on the industry. Tourists will no longer be burdened with exchange commissions and/or spreads between buying and selling rates. The major part of these savings is likely to be reinvested in the form of longer or more expensive travel, thus generating additional sales for the tourism industry. It could also contribute to increase short-hand travel.

The large euro area will render Europe more attractive to visitors from countries outside the European Union and, in particular, those who visit several countries during the same trip. They will no longer have to handle several currencies during their trip and will be able to immediately compare prices between countries.

The euro will likely attract additional investment in the European tourism industry as it confirms its position as the first tourist destination in the world.

## Companies need to prepare for the euro

The tourism industry will follow a specific scenario for the introduction of the euro. Due to the international exposure of tourism, the importance of non-cash payments<sup>(2)</sup>, and also probably following the requests of corporate travellers, the euro will be used early in the transition period, including at retail level. However, some tourists will continue to transact in national currency until the arrival of notes and coins in 2002. Hence, the tourism industry will be confronted with a real three year transition period with a parallel use of both the euro and national currencies.

The pace of the use of the euro during the transition period between 1 January 1999 and 1 January 2002 will be driven by the demand of customers. While it is uncertain today how many customers will ask for euro transactions, the majority of operators recognise that there is a strong acceleration towards an early use of the euro, driven by large corporations. Companies will therefore need to carefully monitor the speed of introduction of the euro within their industry.

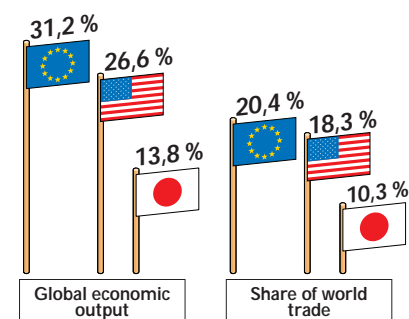
For companies involved in tourism, euro preparations are now highly topical. Tourism encompasses extremely heterogeneous companies. Most travel agencies are small enterprises, selling products generated by larger companies such as airlines or tour-operators. Large companies are often well advanced in their euro preparations while small enterprises now need to accelerate their preparations.

The way companies manage their changeover to the euro will impact their competitive position. However, co-ordination within the industry is essential to facilitate the smoothest possible transition to the euro, especially considering the broad diversity of the tourism industry.

One key element for the early adoption of the euro by consumers is the capacity of financial institutions to adapt their products and services. Non-cash payments will be available as of 1999, however, it will be up to the banks to promote their use.

In order to reap the full benefits of the euro, companies need to carefully plan their changeover as a global corporate project. This will require developing creative solutions to various very practical issues: for instance, in autumn 1998, a tour operator or a large international client could ask for your hotel rates in euros. In early 1999, a business customer could ask for an invoice in euros and request to pay in euros using a credit card, cheques or travellers cheques in euros. Suppliers could start making quotations or sending invoices in euros in 1999.

### Major world markets



Source: Institute for International Economics (1996)

<sup>(1)</sup> Source: Bayerische Landesbank

<sup>(2)</sup> While cash payments still remain important in the tourist industry as elsewhere, tourism is the sector in which bookmoney payments (plastic cards, travellers' cheques, Eurocheques, etc.) are most widespread; they are estimated to account for over 50% of expenditure. This should facilitate the early changeover to the euro by tourism companies, given that the euro will be available only in scriptural form during the transition period. Survey results show that 28.1% of European holiday-makers use credit/debit cards when booking their holidays, while 36.5% do so at their holiday destinations (Source: Eurostat/DG XXIII Eurobarometer 1997-1998 - Facts and Figures about Europeans on holidays).



# The framework for the introduction of the euro

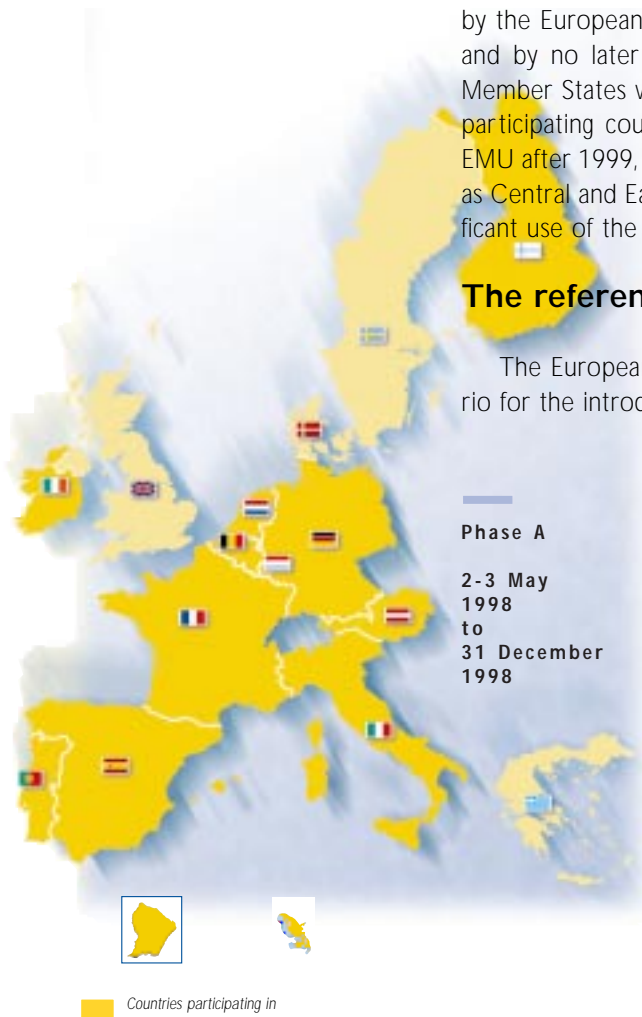
On 1 January 1999, Economic and Monetary Union (EMU) will be launched, and the euro will become the official single currency of the 11 countries designated in May 1998 by the European Council. Euro notes and coins will be introduced on 1 January 2002, and by no later than 1 July 2002, the national notes and coins of the participating Member States will cease to exist. The use of the euro will not be restricted to the 11 participating countries; the European countries outside the euro-zone could join the EMU after 1999, but also countries with strong trade ties with the European Union, such as Central and Eastern European Countries or Mediterranean countries could see significant use of the euro, particularly in the tourism industry.

## The reference scenario

The European Council, gathered in Madrid in December 1995, adopted the scenario for the introduction of the euro. The three principle phases are outlined below.

### Choice of initial participating countries

- European Council of Heads of States and Government designated the 11 initial Member States who will participate in Economic and Monetary Union on 1 January 1999
- The United Kingdom, Denmark and Sweden will not participate in the first wave of the euro. Greece did not satisfy the criteria in 1997 but has announced its intention to join the EMU in 2001 and introduce notes and coins in 2002.
- Bilateral conversion rates between currencies participating in EMU on 1 January 1999 were pre-announced by the European Council of May 1998 but the rates of national currencies against the euro will not be definitely fixed until 31 December 1998
- Creation of European Central Bank
- Financial and banking sectors finalise changeover preparations
- Businesses accelerate preparation efforts



to  
31 December

- Monetary, capital, foreign exchange and interbank markets converted

to euros.

- Economic agents may choose to operate either in the euro or in national currency, according to the "no-compulsion, no prohibition" principle.
- A number of large companies start operating in euros and encourage suppliers to transact in euros
- Payment instruments such as cheques, travelers cheques and payment cards will be able to work in euros but those denominated in national currency unit will continue to circulate.
- Banks will be communicating in euros
- Most consumers continue to deal in national currencies

#### Phase C

1 January  
2002  
to  
1 July 2002  
at the latest

- Introduction of euro notes and coins on 1 January 2002
- Withdrawal of national currencies completed by 1 July 2002 at the latest
- All economic agents complete the changeover
- All assets and transactions are converted into euros

This phase is likely to be shortened to 4 to 6 weeks

## The euro conversion rate

On 31 December 1998 the exchange rates of participating currencies with the euro will be irrevocably fixed. These will be the conversion rates. The following rules will apply:

- The conversion rate will include six significant figures, discounting initial zeros, and will be defined at all times in terms of one euro expressed in national currencies. Inverse rates derived from the conversion rate shall not be used. Possible conversion rate would take the following form: 1 euro = 40.4875 Luxembourg francs, 1 euro = 0.760614 Irish punt (note that the rates used here are for illustrative purposes only).
- The conversion rate must not be rounded or shortened.
- The euro will be sub-divided into one hundred cents.
- The conversion rate between the euro and the ECU will be one-to-one, after which the ECU will cease to exist and will be legally replaced by the euro..
- Conversions between two national currencies are not made directly, but by triangulation through the euro, with this calculation being rounded to three decimal places at least. Other conversion methods are only authorised if they lead to an identical result.

Example:

*A hotel room is priced at Lira 200 000, what is the price in Deutsche Marks?*

*(Fictitious conversion rates EUR 1 = ITL 1967.45 ; EUR 1 = DEM 1.99023 )*

*Step 1 : calculate euro amount : ITL 200 000 ÷ 1967.45 = EUR 101.64874261*

*Step 2 : round euro to third decimal place minimum : 101.64874261 = 101.649*

*Step 3 : calculate DEM amount : EUR 101.649 x 1.99023 = DEM 202.3488927*

*Step 4 : round DEM amount to smallest unit : 202.3488927 = 202.35*

## Notes and coins



There will be seven euro notes and eight euro coins. Notes will be worth 5, 10, 20, 50, 100, 200, and 500 euros. The coins will be worth 0.01, 0.02, 0.05, 0.10, 0.20, 0.50, 1, and 2 euros. One side of the coins will be left open for a national symbol, while the use of all notes and coins will be possible throughout the EMU.



Fig. Bilateral conversion rates from 1 January 1999, as pre-announced by the European Council of 1-3 May 1998.

	DEM 100 =	BEF/LUF 100 =	ESP 100 =	FRF 100 =	IEP 1 =	ITL 1000 =	NLG 100 =	ATS 100 =	PTE 100 =
Belgium/Lux: BEF/LU	2062.55								
Spain: ESP	8507.22	412.462							
France: FRF	335.386	16.2608	3.94237						
Ireland: IEP	40.2676	1.95232	0.473335	12.0063					
Italy: ITL	99000.2	4799.90	1163.72	29518.3	2458.56				
Netherlands: NLG	112.674	5.46285	1.32445	33.5953	2.79812	1.13812			
Austria: ATS	703.552	34.1108	8.27006	209.774	17.4719	7.10657	624.415		
Portugal: PTE	10250.5	496.984	120.492	3056.34	254.560	103.541	9097.53	1456.97	
Finland: FIM	304.001	14.7391	3.57345	90.6420	7.54951	3.07071	269.806	43.2094	2.96571

## Legal obligations

The legal environment of the euro has been largely clarified by two European regulations, which cover the following issues :

- all references to the official ECU basket will be replaced by references to the euro on a 1:1 basis on 1 January 1999;
- The principle of continuity of contracts : barring express agreement by contracting parties, the introduction of the euro does not have the effect of altering any term of a legal instrument (in particular regulations, government acts, legal rulings and contracts) nor give a party the right unilaterally to alter or terminate such an instrument. However, contracts may be altered by mutual agreement of the contracting parties.
- Participating national currencies are replaced by the euro on 1 January 1999, and become themselves non-decimal sub-units of the new single currency.
- During the transition period through 31 December 2001 national currencies are still valid, if mentioned in contracts and other legal instruments. National notes and coins will still be accepted in shops in early 2002, until the changeover is completed.
- From 1 January 1999, payments by crediting an account within the euro zone can be made either in the euro unit or the respective currency unit. The amount shall be credited to the account of the creditor in the denomination of his account. Any conversion should be effected at the conversion rate.
- Rounding should take place to the nearest cent, the sub-unit of the euro, or to the nearest sub-unit of the national currency. A result which lies exactly in the middle shall be rounded up, i.e. a value of 0.005 is rounded upwards to 0.01.

## Recommendations

The framework is also completed by European recommendations :

- Banking charges for conversion to the euro  
Banks are advised to implement a "standard of good practice" according to which conversions between the euro and national currencies should be carried out free of charge.
- Dual display  
Displaying prices in both national currency units and in euros would greatly facili-

tate the transition for consumers. Voluntary commitment rather than legislation has been recommended as a regulatory approach would be incompatible with the diversity of price displays. A voluntary standard of good practice aims at ensuring that consumers receive clear information.

- **Industry co-ordination**

Professional organisations and consumers representatives have agreed on providing minimum standards of information. Enterprises are advised to consult with their professional organisation for a smooth and cost-efficient changeover. National authorities will be monitoring the transition to the euro to facilitate the exchange of experience between companies.

## **Public administrations play a critical role**

While significant progress has been achieved at national levels in the preparation for the euro, a strong effort on behalf of all public administrations must be further encouraged, to facilitate an efficient and smooth changeover to the euro for companies. Widespread communication campaigns have been launched to inform citizens on the practical aspects of the introduction of the euro. These are essential to improve the level of awareness and confidence of European and international travellers. These efforts should be intensified and maintained throughout the transition period in close co-operation with the corporate sector and particularly enterprises in direct contact with the consumers. Specific information will be required for tourists from outside the European Union.

## **Banks and multinationals are advancing**

Banks have significantly advanced in their preparation for the euro and will provide their customers, both corporate and private, with a wide range of services in euros as of 1 January 1999. The banking sector intends to fully implement the principle of "no-compulsion, no-prohibition" for the use of the euro, and will be in a position to offer customers payment instruments in euros as of 1999, such as payment cards, cheques, bank transfers, electronic purses...

Large companies have also accelerated their preparations, and many have indicated that from the moment financial markets switch to the euro in early 1999, they would prefer dealing in euros. The early use of the euro by large companies will encourage small and medium-sized companies to follow suit, even though they will not be obliged to do so before 2002. This may initiate a snowball effect, which could be further accelerated by the fact that the personnel of those companies using euros are also individual consumers.

## **Changeover of consumers**

It is expected that the majority of consumers will await the introduction of notes and coins in 2002 before they start using the euro. However, they will have the possibility to use bookmoney payment instruments in euros from January 1999 (cheques, drafts, payment cards, electronic cash, electronic purses) and tourists are likely to be keen to use the euro from 1999 for the sake of simplicity and novelty.

Frequent business travellers for instance and visitors coming from outside euroland are likely to demand a rapid use of the euro. Border areas, where most consumers and retailers are already used to handling several currencies, are also likely to switch over more rapidly. Purchases which will outlive the transition period could also be preferred in euros; if a holiday package for the 2002 season is purchased in the autumn of 2001, it is likely to be purchased in euros.

## **What does the changeover mean for the tourism industry?**

By 31 December 2001 at the latest, all enterprises will have changed over to the euro. This will require advanced planning. There may however be significant demand and opportunities for tourism operators in anticipating this deadline and to start dealing in euros from 1999.



# Implementing a euro action plan

The euro is a global corporate project, which will affect all areas of the company during the full length of the transition as it includes operational adaptations and strategic issues. All companies - large and small - will therefore need to carefully plan their changeover. Companies will be affected by the euro in different ways, according to factors such as the type of customers, the international exposure, the marketing strategy, the means of payment used etc. In particular, companies in receiving areas, where travellers will be confronted to a foreign currency are likely to see an earlier demand for the euro than those in sending areas.

## 1. Evaluate the scope of the project

The head of the company should first organise a management meeting to review the framework for the introduction of the euro and consider how the various areas and activities of the company will be affected. Each business manager should be made responsible and accountable for adapting his/her activity to the euro.

*In a hotel, the management should first assess how the different activities and departments will be impacted.*

	Rooms	Restaurant	Bar	Banqueting
Sales				
Supplies				
Personnel				
Administration				

## 2. Designate a project manager

The changeover to the euro will require effective co-ordination across all areas of the company, in co-operation with various business partners and over a long period of time. It will therefore be necessary to designate a euro project manager with strong leadership qualities. In smaller companies, this task should be assumed by the head of the company.

The task of the euro project manager will include :

- monitoring the introduction of the euro, particularly in respect to the changeover of customers

- ensuring the circulation of necessary information within the company
- co-ordinating company efforts and making sure that deadlines are met.

### **3. Identify issues and impacts**

The changeover to the euro will present the company with numerous questions. Company management will need to review the detailed impacts and develop appropriate solutions in close co-ordination with the euro project manager and possibly with the assistance of external partners (accountants, banks, professional bodies...).

These will include:

- changing the business from national currencies to euros in every aspect
- how to handle the transition period between January 1999 and December 2001
- deciding when to change business to business transactions to the euros
- how and when to change the retail outlet to deal with euros
- how to improve tourists' confidence
- how to communicate the change to tourists
- how to determine new euro price points
- decide on dual displays of prices
- what staff training will be required
- assess what information technology adjustments are needed
- what equipment changes will be required (cash registers, price displays...)
- assess the opportunity to promote greater and cheaper use of plastic money (payment cards, pre-paid cards)

### **4. Define an action plan**

Once the detailed impact analysis has been carried out, companies will need to define a euro action plan. This plan should aim at :

- optimising opportunities arising from the euro and minimising possible risks
- organising the changeover in the most cost-efficient manner
- using the euro as an opportunity to improve the efficiency of the company.

The action plan should include a detailed calendar, a budget and a communication programme. It should receive the full support of the company management.

### **5. Implement, monitor and review the euro action plan**

Effective management of the changeover plan will require timely and regular monitoring in order to ensure that companies are prepared and in the best position to take advantage of the business opportunities which will arise from the changeover. In order to effectively monitor the evolution of Economic and Monetary Union and that of the company's changeover, the euro project manager should select key staff and form a euro task force according to the specific changeover plan. Once the team has been established, the euro project manager will co-ordinate their efforts to ensure the effective implementation of the changeover plan. The company's progress must also be communicated to all the business partners and coordinated closely with them: customers, suppliers, banks, accountants, trade organisations...

Companies should view the changeover to the euro as a global project which will enable them to improve their overall efficiency in preparation for the next century.

One key strategic decision for enterprises will be whether they wish to anticipate the use of the euro in the transition period or on the contrary delay. Anticipating by displaying prices in both euros and the national currency or by accepting payments in euros, would aim at progressively familiarising the consumer with the new currency and the new prices. On the other hand, some enterprises may prefer to avoid possible confusion and the complexity of handling two currencies. Customer satisfaction should be the decisive criterion .

## Anticipate or delay?

	Reasons to anticipate	Reasons to delay
<b>Consumer aspects</b>	<ul style="list-style-type: none"> <li>■ Border area</li> <li>■ "Pro-active" customers</li> <li>■ International customers</li> <li>■ Familiarise customers early</li> <li>■ Avoid bottlenecks</li> </ul>	<ul style="list-style-type: none"> <li>■ Local customers</li> <li>■ "Conservative" customers</li> <li>■ Avoid confusion</li> <li>■ Avoid complexity of dealing in 2 currencies</li> </ul>
<b>Payment aspects</b>	<ul style="list-style-type: none"> <li>■ Few cash payments</li> </ul>	<ul style="list-style-type: none"> <li>■ Mostly cash payments</li> <li>■ Wait for standardised solutions</li> </ul>

Possible changeover plans for different types of companies .

	Hotels in receiving destinations	Travel agents in sending areas	Tour operators in sending areas
<b>Customer demand</b>	Rapid demand for euros from corporate sector Progressive demand from tourists.	Local customers likely to remain in national currencies until 2002	National customers will only progressively move to euro.
<b>General communication</b>	European tourists will be relatively well informed Specific information requirements for non-European tourists.	Staff will be the main source of communication.	Familiarise customers with new euro price points.
<b>Price displays</b>	Dual display of prices will be helpful to familiarise staff and customers Display conversion rates for a variety of currencies.	Computer Reservation Systems (CRS) will offer to facility to switch from euros to national currencies. Posters could complement.	Catalogues may only be adjusted after the fixing of conversion rates on 1/1/99 They will need to be converted before 2002.
<b>Suppliers</b>	Local suppliers are likely to change over gradually.	Co-ordinate with large suppliers.	Review long-term contracts particularly outside Europe.
<b>Pricing</b>	Price transparency will push tourists to ask for euro rates.	Progressive changeover to euros between 1999 and 2002.	Changeover will occur well before 2002.
<b>Distribution</b>	Opportunity to reach new customers through new distribution methods and particularly the internet.		Inform distribution network of changeover plans.
<b>Staff training</b>	Check-out staff must be knowledgeable with new prices, conversion rules and payment instruments.	Train staff to euro GDS (Global Distribution System) procedures. Provide basic information on the euro.	General information required.
<b>Payment instruments</b>	Review policy regarding acceptance of payment instruments. Likely increase in use of payment cards.	Adjust electronic payment terminals.	The euro is an opportunity to reduce number of bank accounts.
<b>Information systems</b>	Property management systems need to be adjusted. Need to deal with bars and restaurant cash registers.	Co-ordination with CRS/GDS.	



# The customer interface

---

## Customer behaviour

Customers may adopt different attitudes towards the euro. Some may wish to use the euro from January 1999 while others will await the arrival of notes and coins in 2002. Enterprises must develop the communication strategy which maximises customer satisfaction.

- Companies - and particularly large enterprises - are accelerating their preparations and they are increasingly announcing their intentions to use the euro early during the transition period, and in particular for their European activities. It is likely that some enterprises will rapidly ask for transactions in euros for their corporate travel, seminars, conferences, incentive trips, events... The trend towards centralisation of travel activities should accelerate with the euro.
- Business travellers : individual business travellers will immediately benefit from the simplifications resulting from the euro: avoid making conversions, transparency of prices throughout Europe, simplified expense statements, avoid accumulating unused currencies...
- Domestic tourists, in their majority will delay the use of the euro because they will be more familiar with prices and payment instruments expressed in their national currency.
- European tourists, when they travel to another European country are likely to prefer to deal in euros, with which they will be somewhat familiar rather than in a foreign national currency. They will want to compare prices in euros.
- International tourists from outside the European Union will undoubtedly see their travels simplified if prices throughout Europe were expressed in the same unit. They will however be less well informed about the euro and the practicalities of its introduction.

## Improve customer confidence

Tourism will be one area where consumers will be first confronted to the euro. It is in the interest of tourism operators to make the changeover as easy as possible for tourists, as loss of confidence or difficulty to compare prices would result in lower sales.

Enterprises should therefore endeavour to encourage customers to "think" in euros, by displaying new price points in euros and by providing adequate information. Operators must make tourists fully confident that the switch to the euro has not led to disguised price increases. Companies ought to be able to demonstrate that they are carefully following the conversion rules. Lastly, enterprises will need to be able to explain the practicalities of the introduction of the euro and how this will affect price displays, invoicing and settlement processes.

Enterprises need to plan for specific communication on the euro, which is best suited to the requirements of their customers. This plan must be a balance between the need to reassure and inform customers and the risk and cost of information overload.

## Information methods

There are a number of ways of communicating towards tourists and the approach taken will differ between enterprises. Various examples of methods are listed below and companies are likely to use a combination of them.

### **Well-Trained Staff :**

A major information source for customers will be direct contact with staff. The quality of answers to a variety of questions from tourists will be a significant factor maintaining their confidence. Staff at checkouts must be one of the most informed sections of the population concerning the changeover to the euro. Adequate time and resources will have to be devoted to training staff.

### **Catalogues :**

On the one hand, operators will not be able to display prices in both currencies before the conversion rate is fixed on 1 January 1999. On the other hand, catalogues which will be distributed after 2002 will need to display euro prices. Companies must therefore carefully choose the date on which they will switch their catalogues to euros. Catalogues could also include minimal information in both currencies such as dual display of key price points, conversion rates etc. Alternatively, the price list could be printed separately and added after the conversion rates are fixed.

### **Leaflets :**

Companies should carry a stock of the government information brochures in order to save time in responding to general customer curiosity and possibly suspicion. Some companies will want to develop their own general information leaflets and magazines. Leaflets will be especially important in dealing specifically with price comparisons, by giving the precise six-digit conversion factor and explaining that this has been used in the conversion of prices. They could also inform consumers about rounding and explain that some prices have shifted to new euro price points. These leaflets may need to be translated in other languages.

### **Posters :**

Poster display may also be a method for informing customers. Key price points could easily be displayed as well as typical price conversions and as 1 cent, 2 cents, 10 cents, 20 cents, 50 cents, and 1, 2, 5, 10, 20, 50 and 100 euro. Usual in-house posters could easily be adapted to accommodate a dual display of prices.

### **Conversion tables :**

Simple conversion tables using a slide rule mechanism will be produced at low cost. Such tables have already been produced experimentally and provide a useful ready reckoner for consumers to check prices. In enterprises which accept foreign currencies, conversion charts could also be useful to display equivalences between national currencies, using the specific conversion rule (triangulation). This would accelerate and simplify the calculation.

### **Calculators and convertors :**

One-function calculators programmed with a six-significant-digits conversion rate can be produced very cheaply. They would be a useful tool for the consumer to refer back to the national currency and check the accuracy of price conversions.

### **Charters and commitments:**

Representatives of consumers, retail and tourism associations at European level (NET, ECTAA, ETOA, HOTREC) agreed in June 1998 on a voluntary code of practice aimed at reassuring consumers. It includes the following six commitments :

- application of conversion and rounding rules
- abstain from charging higher prices to consumers paying in euros
- provide practical information on the use of the euro
- display a significant number of products and services in both currency units
- ensure that staff are capable of providing information on the euro
- signalling whether payments in euros are accepted.

Those agreeing to abide by these rules of good conduct may display a European label in their shop. The implementation of this agreement, as well as the management and distribution of the label from 1 January 1999 remains to be organised on a national level. This agreement does not oblige the retailers to accept payments in euros before 2002, but if they do, the label will specify this.



#### Tests, simulations, promotions :

Enterprises could consider organising simulations and promotions involving euro pricing and/or vouchers. This would both familiarise consumers and give indications as to their reactions to euro prices. Pilot projects have already been organised by enterprises and local authorities of various cities and have proven to be successful marketing tools; they are likely to develop further.

### Converting prices

One of the most obvious impacts of the euro will be the need to convert all prices into the new currency. This conversion will have to follow strict rules detailed on page 7; however, operators may wish to reprice their products to set them at new more commercially acceptable prices. Several forces will exert pressure on prices :

- enhanced competition within the euro-zone
- rounding differences resulting from the conversion to euros
- greater price transparency
- cheaper cross-border payments
- elimination of foreign-exchange risk.

Rounding may lead to minor price differences.

$$FRF 420 \div 6.62321 = EUR 63, 413359$$

*This would be rounded "arithmetically" to 63.41. The rounding leads to a price difference of EUR 0.003359 i.e. 0.00529 %*

Also, the sum of roundings does not lead to the same results as the rounding of a sum.

EUR 1 = FRF 6.62321	(Indicative conversion rate)
FRF	EUR
1.90	0.29
8.75	1.32
<u>6.99</u>	<u>1.06</u>
17.64	2.67
FRF 17.64 ÷ 6.62321 = EUR 2.66	

There is a one cent rounding difference

To minimise differences, companies are advised to limit the number of conversions. For instance, it is preferable to convert the total amount on an invoice rather than converting all individual items

### New reference values and price points

Products are often sold at commercially acceptable prices sometimes referred to as psychological prices. Each consumer possesses a system of price references which enables him or her to measure the value of goods. The conversion to the euro will cause the loss of price points and references. This could disturb existing distribution patterns and retailers should aim at ensuring that consumers learn new price points in euros as quickly as possible.

To avoid significant price differences arising suddenly when euro prices are introduced, some enterprises are considering using the three-year transition period between 1999 and 2002 to gradually bring prices towards new euro price points. However, for a short time, this would give rise to non-psychological price points in national currencies.



A second option could consist in adjusting the product or the service, the day euro prices are introduced.

*A hotel room is priced at Lira 99 000.*

*ITL 1 = EUR 1947,56 (fictitious conversion rate)*

*The euro price would be: EUR 50,83*

*if the price is decreased to EUR 49 the price difference is -3,6%. If the price is increased to 54, the price difference is + 6,2% .When changing over to the euro, companies must therefore carefully rethink their prices and monitor competition.*

Certain countries such as Italy or Spain do not include decimals in their currencies and may encounter specific difficulties with digits in the conversion to euros.

## Adaptation of price references

By the year 2002 at the latest, all documentation indicating price references will have to be adjusted: catalogues, price lists, quotations, advertising material, data bases, etc. Price data within the company will have to be inventoried and modified.

The currency in which prices are denominated today is often not specified as the absence of further indication means that the national currency is used. It will now be necessary to clearly specify whether the euro or the national currency unit is being used.

A specific symbol has been designed for the euro. It should be printed in yellow against a colourless or blue background. Manufacturers of keyboards and cash register are integrating this in their equipment and it is available on the website of the European Commission. For the financial sector the ISO code for the euro will be EUR.



### Identifying price references

*brochures*

*invoices*

*shelf-edge labels*

*quotations*

*price labels*

*advertisements : TV, radio, newspapers*

*computer screens*

*internet*

*scanning equipment*

*price files*

*till receipts*

*delivery notes*

*catalogues*

*posters*

*price lists*

*pay slips*

## New price elasticity

Price elasticity measures the sensitivity of consumers to a variation in the price. Currently, all European currencies except the Irish punt and the British pound have a smaller nominal value than the euro. Therefore, for most currencies the smallest unit of account in euro, the cent, will have a greater value than current units. This will reduce the potential price elasticity

## Price transparency

Price disparities within Europe - due to factors such as cultural considerations, tax discrepancies, and different labour costs - are partly concealed because they are expressed in different currencies. The euro will encourage price harmonisation by making it easier to compare prices of similar products between countries of the euro-zone. The impact of price transparency will vary considerably according to the type of product and also the geographical zone.

## Electronic commerce

The euro will create substantial opportunities for the further development of electronic commerce. By definition, electronic commerce is international; it requires an international currency to reach its full potential. It will enable tourism operators to reach new customers.



# The supply chain

---

## **Broadening the supplier base**

The single currency represents a new and major step in the completion of the Single European Market. In that sense, the changeover to the euro will provide significant opportunities in terms of procurement. Once Europe is perceived as a domestic market, and foreign exchange risks are eliminated, purchasing uncertainty will be reduced. There could also be opportunities for companies to develop purchasing alliances or to create buying groups with other companies.

## **Communicating with suppliers**

According to the "no prohibition, no compulsion" principle, which applies during the transition period between 1999 and 2002, companies may transact in euro but may not be forced to do so.

In some countries, proposals have been put forward to co-ordinate the timing of the changeover with suppliers. In other countries, companies are trying to agree on a "code of good conduct" according to which the company which intends to switch to the euro before 1 January 2002 will have to bear the costs and the constraints. In other terms:

- if suppliers wish to convert their invoicing to the euro, they will have to offer their customers who wish to continue dealing in national currency the opportunity to do so.
- if customers intend to adopt the euro for their procurement during the transition period, they must be able to continue to deal in national currencies for those suppliers who wish to do so.

After 1 January 2002, all prices and transactions will be expressed solely in euros.

Enterprises may choose to change over their wholesale and business-to-business activities some months before the introduction of notes and coins. This may arise from supplier pressures to move early, but the main incentive would come from the need to convert their business dealings to euros before turning their attention to the retail aspects at the consumer side of the business.

## **Adjusting the products and services**

The euro will contribute to the creation of an enlarged domestic market. Catering to the needs of new customers may require adjusting services to respond to the tastes of all Europeans. Quality standards, national regulations, cultural differences or marketing considerations may lead to adjustments.

## Payment conditions

Payment conditions vary considerably from one country to another. Terms of payment are likely to converge as a result of the euro, but this will take place over time. In the meantime, companies could consider giving preference to suppliers who offer the most favourable conditions of payment.

The current payment situation in Europe inhibits the development of intra-European trade and the smooth working of the internal market. Small and medium-sized enterprises are particularly affected by the long payment periods since they are more dependent on trade credit than larger firms.

### Average credit periods throughout Europe

Country	Average contractual credit period
Austria	29
Belgium	41
Denmark	27
Finland	19
France	48
Germany	23
Greece	75
Italy	65
Ireland	35
Luxembourg	N/A
Netherlands	27
Portugal	50
Spain	68
Sweden	25
United Kingdom	31
<b>European average</b>	<b>40</b>

Source :  
European Commission



# Legal issues

The adaptation of contracts to the euro is extremely straightforward, because a clear Regulation guarantees the continuity of contracts in all Member States of the European Union<sup>(3)</sup>, including those which will not join Monetary Union in 1999. Contract continuity should also be generally accepted outside the European Union though this will require closer attention. Each company must therefore examine how the introduction of the euro will affect its contracts with partners from non-European Union countries.

## Contracts with domestic companies

No contract modifications will usually be necessary in legal relations with domestic customers and companies.

Contracts signed before 1 January 1999 and denominated in national currency units will continue to be valid in the same denomination during the transition period through 31 December 2001. New contracts in national currency units may also be signed during the transition period. In all cases, contracts made in a national currency unit should continue to be carried out in this currency, barring a different agreement between the parties. For payments which are not made in cash, the debtor will have the choice of paying in national currency or in euros. After 31 December 2001 all contracts will be in euros. Existing agreements in national units will automatically be converted to the euro on that date, using the official conversion rate and the rounding rules. No change is necessary in the documentation corresponding to the contract (such as invoices, payments, accounts). Documents with amounts in national units are to be read as euro amounts, using the official conversion rate.

The euro may be used in contracts from 1 January 1999. Existing contracts denominated in national currency units may also be changed to euro after this date. This requires however the agreement of all parties to the contract; there cannot be any obligation to use the euro during the transition period.

The transition to the euro does not give any party to a contract the right to terminate this contract or to demand a renegotiation of terms. In so far as contracting parties do not make a different agreement, all terms of the contract will continue to be valid and will be effected in the new currency. Only an unpredictable and unreasonable alteration of the balance between contracting parties may be considered to lead to the end of the existing foundation for business. The principle of contract continuity and the fact that the replacement of the national currency by the euro has been known for so long makes it impossible to use this as a basis for the termination or alteration of a contract. Continuity clauses which simply reflect existing legislation and state generally that the contract remains valid after the introduction of the euro are not necessary.

<sup>(3)</sup> Council Regulation (EC) 1103/97 of 17 June 1997 on certain provisions relating to the introduction of the euro, art. 3, OJEC 162/1 of 19/06/97.

Should the contract contain clauses detailing certain aspects of continuity, these could be interpreted as replacing the otherwise applicable general continuity principle, thus removing the guarantee of continuity for any issues not dealt with specifically in the contract.

Because the national currencies are being replaced by the euro at a fixed conversion rate as of 1 January 1999, it will be possible in the future to compensate against each other invoices denominated in euro or in the different national currencies of the EMU countries.

An invoice in Austrian Schilling can therefore be netted against Spanish pesetas without specific agreement by the transacting parties. This will be possible in all EMU countries thanks to the equal status of their national currencies.

## **Contracts with companies in EMU-participating countries**

Contracts with companies in European Union countries will not be affected by the introduction of the euro. The designation of the law or courts of a given EMU country as being the foundation for the contract does not affect in any way the applicability of this principle of contractual and currency continuity. No specific adaptation of the contract is necessary. The national currencies are simply replaced by the euro at the end of the transition period.

*A hotel in Florence has signed a contract with a Dutch tour-operator subject to Italian law.*

- *If the payment currency is stipulated in the contract, it should continue to be carried out in that same currency. National currency units retain their legal status during the transition period, but only in their own country.*
- *If the payment currency is not specified, the contract should be carried out in the currency unit of the contract. The hotel may therefore refuse a payment in Guilder.*
- *In the case of a settlement in euros, a bank transfer will be completely transparent for the hotel because the bank will automatically convert the amount into the denomination of its account. Other means of payment could be refused.*

## **Contracts with companies in second-wave (or pre-in countries) of the European Union**

Contract continuity also applies for contracts with companies from the four countries which will not join EMU on 1 January 1999. The only difference concerns the compensation or setting off of invoices against each other. Because these countries do not belong to EMU, the exchange rates of their currencies with the euro are not fixed. Compensation between invoices is only possible if specifically agreed upon by the parties notably concerning the exchange rate.

## **Contracts with companies outside the European Union**

The monetary sovereignty (*lex monetae*) of the Member States of the European Union allows in principle a national currency-invoice or debt to be redenominated in euro.

The inclusion of clauses specifically designed to guarantee contract continuity are only useful in the case of agreements with companies or individuals from a country outside the European Union. The conformity of such clauses with the law under which the

contract has been signed should be verified.

In the case of a contract between a company from the European Union and one from a non-EU country, and which is denominated in a European national currency, the basic principle of monetary sovereignty applies no matter what the foreign law may state. The change of currency is not to be judged according to the same law as that which applies to the other contractual relations of the parties. The law of the country whose currency is named takes precedence. This country has the right to change its currency.

In the case of a contract between a German hotel and a travel company signed under Swiss law, but in which the German Mark is the agreed upon currency, Swiss law is that which governs the contractual relationship. However, the question of whether and how the payments in DM may be replaced by payments in euros is not to be judged under Swiss law, but under German law. The European regulations are part of German law. The price stated in DM should therefore be converted to euro and paid in this currency.

A contract with a Japanese travel agent is signed under Japanese law but the payment is dominated in Spanish pesetas : it is possible, in this case, that the Japanese courts could not recognise the monetary sovereignty of European Union Member States as taking precedence over Japanese contract law. A Japanese court might refuse a conversion of payment from Spanish pesetas to euro and insist on payment being made in Yen. If contracts signed under non-EU law are unavoidable, then specific agreement should be included, stating that the monetary law of the country whose currency is used in the contract takes precedence for monetary questions.

Contracts with companies from outside the EU should therefore be carefully examined. The replacement of national currencies by the euro may not be accepted in every case by the foreign contract partner, even though no case had been known as of September 1998.



# Payment instruments

Until the introduction of notes and coins in January 2002, the euro will only be available as a payment instrument in scriptural (or non-cash) form : payment cards, cheques, transfers, Eurocheques, national cheques in euros, pre-paid cards, travellers cheques... Between January 1999 and December 2001, according to the "no prohibition/no compulsion" principle, economic agents will not be forced to accept or to use euros. However, customer demand and competition are likely to encourage enterprises to do so. Payments in euros should not be more costly in terms of bank fees than those in national currencies.

## Disappearance of foreign-exchange commissions

Although 11 countries will share the same currency, payment systems will remain essentially national. The euro will eliminate the exchange risk commission but transaction costs will continue to exist ; these represent approximately 80% of the total fee. An Italian cheque in euros will still be compensated in Italy and would entail high transaction costs for a Portuguese hotel. It is expected that the euro will contribute to harmonise systems over the medium term.

The availability of payment instruments in euros is related to the marketing strategies of the banks. These vary considerably from country to country.

*Fig: Domestic payments changeover scenarios in EMU participating countries*

	Retail payment facilities in euro from...	Euro payment instruments during the transition phase	Stance of the retail sector
<b>Austria</b>	significant demand expected only from mid-2001	all payment instruments	
<b>Belgium</b>	1-1-99	all payment instruments for all customers	some retail opposition to euro payments before 1-1-2002

<b>Finland</b>	1-1-99	electronic payment channels, cheques, giro	
<b>France</b>	- 1-1-1999 for companies, but discouraged for individuals - most payments should continue in FRF until late 2001/ early 2002	all payment instruments	prefer that cheque and card payments in euro coincide with euro cash introduction
<b>Germany</b>	1-1-99	all payment instruments for all customers	
<b>Ireland</b>	transition period 1-1-99	all payment instruments	prefer no euro payments until euro cash introduction
<b>Italy</b>	as early as possible after 1-1-99	undetermined	
<b>Luxembourg</b>	1-1-99	all payment instruments	under discussion
<b>Netherlands</b>	some payment facilities on request during transition period	standardised giro-based payments will remain in NLG until 2002	
<b>Portugal</b>	1-1-99	all payment instruments	
<b>Spain</b>	1-1-99	all payment instruments	under discussion

Source:  
"Survey on domestic payments changeover scenarios", Banking Federation of the European Union, January 1998

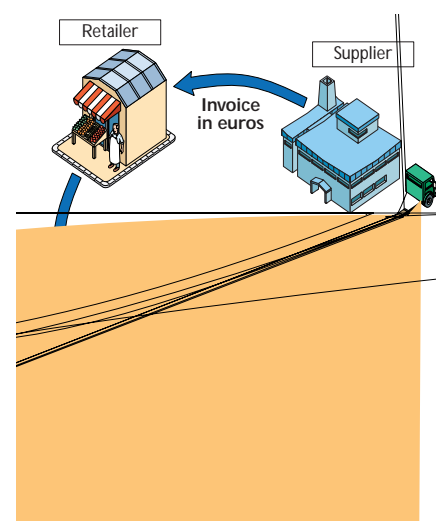
## Banks will act as converters during the transition period

Banks will play an essential role in carrying out conversions between the euro and the national currencies. If an amount in euros is paid into an account denominated in a national currency, the bank will automatically and at no cost convert the amount. Therefore, one can make and accept euro payments even if his account is still denominated in national currencies. Enterprises are strongly advised to use this facility to avoid the burden of carrying out the conversions directly.

When converting from a national currency to the euro, there will be minor rounding differences. While these are insignificant from an economic point of view, they may create administrative difficulties : bank reconciliation, accounting discrepancies... Enterprises are hence advised to settle payments in the same currency as the obligation is expressed.

## Payment Instruments

- Payment cards represent the most inexpensive way for tourists to settle expenses in another country and it is likely that their use will increase after the introduction of the euro. International payment cards do not carry a currency specification : the information given to the cardholder depends on the currency denomination of his





bank account (with a possible indication of the original amount settled). The currency in which the transaction is settled is specified by the merchant ; this is often set by Electronic Terminals by default to the national currency.

Cards will work in euros from January 1999 and travellers will not need to get a new card. It will be possible for them to pay in euros, at no extra cost provided the merchant has adjusted its terminal. What the card statement will look like will depend on the bank, but in any case, consumers will be able to choose to settle in euros or in national currencies when they get their statement.

Regardless of the type of card, electronic Point Of Sales (POS) terminals will need to be adapted throughout the euro zone, or possibly replaced in the case of older systems where mere software adjustment will not allow for the changeover. The transaction currency (the billing currency) will be determined at the terminal itself. In some cases terminal updating will allow the merchant to choose the transaction currency, while in others, terminals will be limited to one currency unit only and must be switched over to euros, before 1 January 2002.

Customer accounts will invariably be debited in the currency of account.

Finally, a dual display capacity on either the terminal display, or receipts, or both, is planned in almost all domestic scenarios.

- National cheques will be available in most countries in national currency units and in euros, independently of the denomination of the account. It will be important to distinguish the currency denomination of the cheque and its originating country. Indeed, national cheques will - as today - be compensated at a national level and this entails high transaction fees and a security risk when they are used in other countries. In most cases, it is unlikely that enterprises will accept foreign cheques whatever the denomination. However, in border areas, or in resorts with a strong international presence, some companies might consider this. In some countries, it is acceptable to charge a specific fee according to the type of payment instrument.

The banking sectors of participating countries will, in general, adopt one of two alternatives for the issuing of euro denominated cheques and credit transfers during the transition period:

- either a different format has been issued or is under development for transfer forms and/or cheques denominated in euros (e.g. France)
- or the forms will be currency-neutral with a field where the currency of transaction must be specified (e.g. Belgium, Germany)

In some cases (e.g. Eurocheques), such currency-neutral payment forms are already in use and will need no specific modification.

- Travellers cheques will exist in both national currencies and in euros. The same treatment will apply to both denominations regarding conversion rates and possible transaction fees.

- Transfers will be a completely transparent payment instrument because the banks will carry out the necessary conversions.

- Cash : during the transition period, national currency units will be non-decimal expressions of the euro ; in other terms, the French Franc and Portuguese Escudo will represent the same currency. However, only the national currency will have status of legal tender within its national borders. Enterprises will not be obliged to accept cash in another European currency. However, should they do so, they will need to enforce the precise conversions rules. It will not be possible to charge a foreign exchange commission, but a handling commission is acceptable. Companies are advised to make this fee as transparent as possible.

Companies are strongly advised to use the euro as an opportunity to review their policy regarding payment instruments. This will require discussing with their banks the cost of the various payment instruments. Staff will also need to be trained to deal with new payment procedures.



# Staff training

---

All levels of staff are concerned.

Staff in the tourism industry must be among the most knowledgeable people on the euro in the community as they will be amongst the first to be confronted with the new currency. This is particularly true for staff in direct contact with customers.

Among the staff there can be a level of unease and uncertainty with regard to the changeover. They will have a number of personal as well as work concerns with regard to the euro. It would be advisable to include information on such areas in any training course, with a view to increasing staff confidence in dealing with the issue.

Topics could include :

- How will wages, bonuses, staff discount, pensions be converted?
- What will be detailed on my pay slip?
- Will there be a government information campaign?
- How will loyalty card points be expressed?
- What new equipment, if any, am I going to have to learn to use?
- Will allowances be made if I make a mistake on register when first operating in euros?

## **Modular training will be required**

It would be advisable in the training of staff to assume that the staff have no knowledge of the changeover and that all training is pitched at the lowest common denominator with a view to taking a modular approach to training and building the duration and complexity of the course according to the needs of each group.

The nature of the information that needs to be retained by staff suggests the course should contain as much practical training as possible and the use of case studies would be advisable. This is an excellent way of ensuring staff involvement and case studies also provide a story board for the individual on which to change their newly found knowledge. A modular approach will allow for training to be spread out over a period of time and therefore help minimise the disruption to the business as well as, hopefully, spreading the cost.

Staff dealing with customers will require focused training on:

- the value of the euro
- recognition of the euro in all its denominations
- the conversion rate
- the designated till procedures
- new till receipts
- how to handle two currencies
- the procedures for withdrawing national currency
- how to handle euro denominated cheques - domestic and from other EMU countries

- specificity of certain countries (e.g. "pre-in" countries)
- how to handle new payment methods
- how to explain the euro and the store procedures to customers.

## **Timing of the training**

Companies must assess the necessary lead times for this training and also allow enough time for the booking of external resources i.e. trainers, Information Technology, etc. The use of the euro will increase gradually over the three year transition period and courses should take this into account.

### *Training modules*

*Enterprises will be required to run a number of training courses aimed at different levels of staff and containing different levels of knowledge. An example of these strata could be as follows :*

#### *Top Management*

*Through internal and external briefings, become acquainted with the issues to draw up a comprehensive corporate changeover plan.*

#### *Information Systems*

*Need to know the intentions of management in relation to requirements for all systems and know any regulations on dual display of prices, conversion and rounding rules etc.*

#### *Finance and Accounting*

*Need to know implications of new euro environment as it will have an impact on systems, timing of changeover, hedging implications, pricing, invoicing, impact on financial products.*

#### *Purchasing*

*Need to know implications of euro environment on price transparency, increased competition among suppliers, elimination of currency risk, new agency arrangements.*

#### *Human Resources*

*Need to assess the implications for all departments and work out who needs to know what and when. Trainers need to be trained.*

#### *Point of Sale and Floor Staff*

*Need a thorough knowledge of euro pricing, euro conversion rates, dealing in two currencies, new payment terminals, adapted means of payment, new till receipts and how to deal with confused customers.*



# Administration

## Accounting

Companies can choose a date for the changeover of their accounting to the euro during the transition period, but as of 1 January 2002, all accounts will have to be switched over to the euro. In setting up a date for conversion, enterprises should take into account the following factors:

- degree of international exposure (exports/imports)
- ability of customers and suppliers to deal in euros rapidly
- changeover date of public administrations
- flexibility of their accounting systems and ability of their Information Technology provider to change them rapidly.

Enterprises should naturally involve their chartered accountants in the process and could raise with them the following questions :

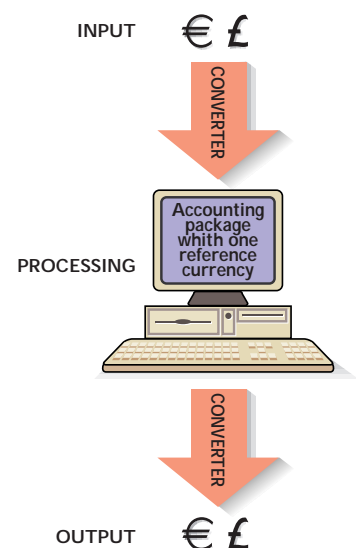
- How will the euro affect our accounts?
- What is the optimal date to convert accounts?
- What are the requirements for account certification during the transition period?
- How and when will we change pay-slips to the euro?

## Finance

The treasury and financing functions will be among the first to be affected by the changeover to the euro. European financial markets will operate in euros from early 1999, at which point the treasury function of each company will be required to deal with cash flows in euros. Stock exchanges in Europe will quote shares and operate only in euros as of 4 January 1999. Government bonds will be issued in euros on the same date. There are several options to choose during the transition period between 1999 and 2002:

- simply consider the euro as an additional currency
- use the euro as the reference currency from which all transactions are made
- avoid using the euro and request banks to convert all flows into the national currency.

## Installing converters in accounting packages



The changeover to the euro will significantly simplify the treasury and cash management and provide substantial opportunities for savings.

Your banker should be able to provide answers for the following questions:

- Will our company be able to make/receive payments in euros?
- What costs, if any, will be charged for this service?
- What changeover support services will be provided by the bank?
- What means of payment will be available in euros, and when?

### **Information Technology**

Software systems (pay, accounting legal/fiscal, treasury, reporting, purchasing...) will need to be adjusted and sometimes upgraded in view of the euro, especially when it comes to financial data. Many enterprises will have to rely on external resources for the changeover of their information systems to the euro. However, the euro coinciding with the millenium issue, enterprises should be aware that a shortage of specialised Information Technology experts is likely. Therefore, after estimating the external resources which will be required, they should check the availability of the usual providers. Also, it is important to assess the cost of the required adaptations, and to look for the most important cost-effective solutions.

Enterprises which are in direct contact with tourists will have to review all the cash handling procedures, as well as the Point of Sales equipment.

In the tourism industry, electronic links with clients and suppliers, such as CRS (Central Reservation Systems) and GDS (Global Distribution Systems) are extremely important. Co-ordination in this area will be crucial.

Enterprises should therefore:

- meet with their partners
- review the agreements subject to electronic transactions
- agree on the changeover timing and methods
- contact their Information Technology suppliers and inquire about the upgrading of software.



# Check-lists

## The customer interface

Customer behaviour	If relevant, to be addressed	
	by:	on:
	<i>(name)</i>	<i>(date)</i>
1. Different consumers will behave differently. How do we expect our customers to react to the euro? 2. Should we adopt a pro-active approach towards the euro or a defensive one?		

General customer information	If relevant, to be addressed	
	by:	on:
	<i>(name)</i>	<i>(date)</i>
1. When will we start communicating on the euro? 2. What type of information will our customers require? 3. What information tools will we use? Will those be available from other sources (professional organisations, public administrations)		
4. How can we best respond to customer questions? What questions will be asked most frequently?		
5. Which customers might need special assistance? 6. Will we comply with the "voluntary code of good conduct?"		

<b>Dual price display</b>	<b>If relevant, to be addressed</b> by:                      on: (name)                      (date)	
1. Will we be able to display all prices in euros and national units? 2. Have we identified all documentation which indicates price references and assessed the necessary changes?		
3. When should we begin dual pricing?		
4. When will we convert our prices to the euro? Will this require price adjustments?		
5. Are our systems compliant with rounding and conversion rules?		

## The supply chain

<b>Relation with suppliers/ customers</b>	<b>If relevant, to be addressed</b> by:                      on: (name)                      (date)	
1. With the elimination of foreign exchange risk, could we envisage competitive foreign suppliers substituting our domestic suppliers? Do we intend to look for non-domestic suppliers? 2. Do we plan to review price agreements with our suppliers or enter long-term contracts as a result of the elimination of currency risks?		
3. Have we discussed with our major suppliers when they intend to invoice us in euros?		
4. Do we consider giving preference to suppliers who offer the most favourable conditions of payments?		

## Payment instruments

<b>Payment Instruments</b>	<b>If relevant, to be addressed</b> by:                      on: (name)                      (date)	
1. What kind of payment instruments will be available and when? 2. When will we be ready to accept non-cash payments in euros (e.g. payment cards, cheques)? 3. Do we need to adapt equipment for electronic payments in euros?		

4. Have we discussed special charges, or conditions and timing required by banks, credit card companies etc. for accepting non-cash forms of euro payments during the transition period?		
--	--	--

## Staff Training

<b>Staff training</b>	<b>If relevant, to be addressed</b>	
	by: <i>(name)</i>	on: <i>(date)</i>
1. When will we begin staff training? 2. What form will training take? 3. What are the target groups which will require training? 4. Will we depend on external service providers to ensure the training? 5. How do we plan to motivate employees and ensure staff confidence? 6. Will we require specific training for part-time seasonal staff?		

## Administration

<b>Accounting</b>	<b>If relevant, to be addressed</b>	
	by: <i>(name)</i>	on: <i>(date)</i>
1. Will we need to deal with both euros and national currencies between 1999 and 2002? The following factors should aid in our decision: <ul style="list-style-type: none"> <li>- we operate in several currencies (imports, exports)</li> <li>- we expect our customers or our suppliers to rapidly deal in euros</li> <li>- the flexibility of our Information Technology provider to adjust systems.</li> </ul> 2. When do we intend to convert our accounts to the euro? Could certain external partners lead us to anticipate the changeover: <ul style="list-style-type: none"> <li>- customers?</li> <li>- suppliers?</li> <li>- bank?</li> <li>- fiscal authority?</li> <li>- market?</li> <li>- other?</li> </ul> 3. Will we consider subcontracting our accounting or part of it during the transition period? 4. Will our company statutes require adjustment? Will we require legal advice?		



<b>Finance</b>	<b>relevant, to be addressed</b>	
	by: (name)	on: (date)
1. During the transition period, will the euro be considered by us as an additional currency? 2. During the transition period, will the euro be used as the reference currency from which all transactions are made?		

## Information systems

### Listing existing information systems

Hardware	Type	Age	Subcontracted
<ul style="list-style-type: none"> <li>- mainframe</li> <li>- mini</li> <li>- client/server</li> <li>- PC network with servers</li> <li>- stand-alone PC</li> <li>- payment terminals</li> </ul>			

Software	Name	Package/customised	Multi-currency	Euro-compatible
<ul style="list-style-type: none"> <li>- pay</li> <li>- accounting legal/fiscal</li> <li>- treasury</li> <li>- reporting/cost control</li> <li>- purchasing</li> <li>- shipping/invoicing/warehousing</li> <li>- customer databases</li> <li>- selling</li> <li>- other</li> </ul>				

Electronic links with others	Link with
<ul style="list-style-type: none"> <li>- EDI (Electronic data exchange)</li> <li>- Internet/Intranet</li> <li>- industry reservation systems: CRS, GDS (e.g. travel agencies)</li> <li>- payment terminals</li> </ul>	

## What are our current needs for software and maintenance upgrades?

<ul style="list-style-type: none"> <li>- obsolete systems</li> <li>- new version packages</li> <li>- year 2000 adaptation</li> <li>- other needs</li> </ul>	Type of system	Date planned
---	----------------	--------------

	<b>If relevant, to be addressed</b>	
	by: <i>(name)</i>	on: <i>(date)</i>
1. Do we plan to match the replacement of some of these systems with the conversion to the euro?		
2. Have we started studying the millennium issue (adaptation of computer calendars to the next century)? If so, what is our state of advancement?		
3. Do we see possibilities to manage both of these projects simultaneously? 4. Do we see an opportunity to replace existing software by a complete standard package?		

## Systems affected by the euro

1. Can we list all systems which will be affected by the conversion to the euro?			
List of systems	Purpose of system	Impact of receiving/ issuing invoices in euros	Impact of receiving/ paying in euros

	<b>If relevant, to be addressed</b>	
	by: <i>(name)</i>	on: <i>(date)</i>
2. Will our Information Technology package vendor come up with a standard solution? Is it compatible with the millennium change? Will it be included in the regular maintenance programme or will we require a specific upgrade? What will be the cost and implementation time?		
3. Have we scheduled personnel training for the new software versions?		
4. If we operate with in-house systems, have we prepared their changeover? In particular, are they properly documented so as to identify the required changes?		

## Managing the changeover to the euro

Managing the changeover to the euro	If relevant, to be addressed by:                      on: (name)                      (date)	
<ol style="list-style-type: none"> <li>1. How do we foresee the implementation of the changeover within our department?</li> <li>2. What lead times will be required?</li> <li>3. What internal/external resources will be required?</li> <li>4. What information do we expect from the head of the company or from other departments to start the changeover?</li> <li>5. How do we expect the changeover to be co-ordinated within the company?</li> </ol>		



# Appendix

## Glossary

**Convergence criteria** : Requirements established by the Treaty of Maastricht for all Member States who wish to participate in Economic and Monetary Union. In May 1998, the European Council determined the Member States allowed to participate in Economic and Monetary Union in 1999 on the basis of 1997 actual figures for the convergence criteria, and announced the bilateral rates between participating currencies.

**Conversion rates** : The irrevocable conversion rates between the euro and the different national currencies will be set on 1 January 1999. The conversion rates will include six significant figures, discounting initial zeros, and will be defined at all times in terms of one euro expressed in national currencies, and in one direction only.  
Example: 1 euro = 40.4875 Luxembourg francs (rate used for illustrative purposes only).

**Dual circulation of currencies** : During the period immediately following the introduction of euro notes and coins on 1 January 2002, and for a length of time to be determined by each Member State, but not exceeding six months, both euro and national currency notes and coins will be in circulation within each Member State.

**Dual display of prices** : The display of prices in both euros and in the national currency.

**Economic and Monetary Union (EMU)** : officially determined by the Maastricht Treaty in 1992, EMU designates the zone of countries within the European Union who share the same monetary policy and currency - the euro. EMU will begin on 1 January 1999.

**E-day** : The date of introduction of euro notes and coins; the European Council has chosen 1 January 2002.

**European Central Bank (ECB)** : The new Central Bank which took effect in 1998 as the successor of the European Monetary Institute with the purpose of monitoring monetary policy and the introduction of euro notes and coins in EMU. It will be the executive body of the European System of Central Banks.

**European Commission** : The executive body of the European Union which initiates European regulations.

**European Council** : The body uniting Heads of States and Governments having specific responsibilities in the institutional process to EMU.

**European Council of Ministers:** The body uniting Foreign affairs Ministers or specific Ministers of the Member States; it includes, for example, the Council of Economic Ministers (ECOFIN), the Council of Ministers for Tourism.

**European Currency Unit (ECU) :** Created in 1979, the ECU is the weighted average of the currencies of the twelve States which were members of the European Community at that time. Also known as the European Currency Basket, the ECU is currently used in commercial and financial transactions as is the US dollar or the yen, even though there are no ECU bank notes. The euro will replace the ECU at a one-to-one conversion rate on 1 January 1999.

**European Monetary System (EMS) :** Established in 1979 with the goal of reducing monetary instability and inflation within the European Union. Some of the Member States have defined fluctuation margins in respect to one another's currencies, and these are monitored by an Exchange Rate Mechanism (ERM)

**Exchange Rate Mechanism 2 - (ERM 2).** The structure which will link the currencies of non-participating Member States to the euro. Membership will be voluntary. The aim of ERM 2 is to support those countries who seek future EMU membership through regulation of the foreign exchange environment.

**European System of Central Banks (ESCB):** a system uniting the central banks of all member States and the European Central Bank, with the purpose of implementing monetary policy, managing Member states currency reserves and promoting the smooth functioning of payment systems.

**European Union (EU) :** The European Union currently includes 15 Member States : Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom.

**Euro zone :** The geographic area defined by the Member States participating in EMU, i.e. : all countries of the EU except Denmark, Greece, Sweden and the UK.

**Exchange rate :** The rate of exchange between the euro and those national currencies which are outside the euro zone, or between different national currencies outside the euro zone.

**Maastricht Treaty :** The "Treaty on European Union" which affirms the goal of Economic and Monetary Union. Signed in February 1992 in Maastricht, it determines the convergence criteria for participation in EMU.

**Member States :** The 15 countries which constitute the European Union.

**National currencies :** National currencies will continue to exist during the transition period, but will be defined as non-decimal expressions of the euro.

**POS:** electronic Point Of Sale terminal.

**Rounding guidelines:** the conversion of the euro into national currencies will lead to results which will be "rounded" as follows: results ranging from 0 to 4 at the next decimal after the smallest unit not in use will be rounded down; results ranging from 5 to 9 at the next decimal after the smallest unit not in use will be rounded up.

**Transition(al) period :** The period following the introduction of the euro as the official currency of the EMU and preceding the introduction of euro notes and coins, from 1 January 1999 through 31 December 2001.

## Founding Members

Agfa-Gevaert	Fiat
Airbus Industrie	IBM
Andersen Consulting	Istituto per la Ricostruzione Industriale
Banca di Roma	March Grupo
Banco Central Hispanoamericano	McKinsey
Banco de Fomento e Exterior	Paribas
Banco Espirito Santo e Comercial de Lisboa	Philips Electronics
Banco Nacional Ultramarino	Private Financial Holdings
Banco Português de Investimento	Promotora de Informaciones
Banco Português do Atlântico	Rhône-Poulenc
BAT Industries	Robert Bosch
British Petroleum	Sap
Caisse des Dépôts et Consignations	Siemens
Confindustria	Solvay
Compagnie Financière Alcatel	Sonae Investimentos
Daimler Benz	Soporcel
Dresdner Bank	Total
Électricité de France	Volkswagen
Energia e Industrias Aragonesas	

## Members of the Board of Directors

### Etienne DAVIGNON

*President*

*Chairman, Société Générale de Belgique*

### François-Xavier ORTOLI

*Vice-President and Treasurer*

*Former President, European Commission*

### Giovanni AGNELLI

*Honorary Vice-President*

*Honorary Chairman, Fiat*

### Bertrand de MAIGRET

*Secretary General*

### José Maria AMUSATEGUI

*Chairman, Banco Central*

*Hispanoamericano*

### Belmiro de AZEVEDO

*Director for Portugal*

*Chairman, Sonae Investimentos*

### Karl-Hermann BAUMANN

*President of the Supervisory Board, Siemens*

### Georg EHRNROOTH

*Director for Finland*

*President and Chief Executive Officer, Metra*

### Dudley EUSTACE

*Director for the Netherlands*

*Vice-Chairman of the Board of Management,  
Philips*

### Carlos FERRER

*Director for Spain*

*President, High Council of Chambers of  
Commerce,*

*Industry and Shipping of Spain*

### Giorgio FOSSA

*Director for Italy*

*Chairman, Confindustria*

### Jean-René FOURTOU

*Director for France*

*Chairman, Rhône-Poulenc*

### Paolo FRESCO

*Chairman, FIAT*

### Carl H. HAHN

*Former Chairman, Volkswagen*

### Tom HARDIMAN

*Director for Ireland*

*Chairman, IBM Ireland*

### Georges JACOBS

*President, UNICE*

### Joseph KINSCH

*Director for Luxembourg*

*Chairman, ARBED*

### Hilmar KOPPER

*Director for Germany*

*President of the Supervisory Board,  
Deutsche Bank*

### Philippe LAGAYETTE

### Alexandre LAMFALUSSY

*Former President,*

*European Monetary Institute*

### Spyro LATSIS

*Director for Greece*

*President, EFG Eurobank*

### André LEYSEN

*Chairman, Agfa-Gevaert*

### Paul MENTRÉ

### François PERIGOT

### Uwe PLACHETKA

### Birger RIISAGER

*Director for Denmark*

*President, FLS Industries*

### Cesare ROMITI

### Melker SCHÖRLING

### Martin TAYLOR

*Director for the United Kingdom*

*Group Chief Executive, Barclays Bank*

### Alexandre VAZ PINTO

*Vice-Chairman, Caixa Geral de Depositos*

### Franz VRANITZKY

*Former Chancellor of Austria*

### Jacob WALLENBERG

*Chairman, Skandinaviska Enskilda Banken*

## **Presentation of the Association for the Monetary Union of Europe**

The Association for the Monetary Union of Europe (AMUE) was founded in 1987 by European industrialists who agreed on the objectives of a single currency and monetary stability for the success of the Single Market.

The President of the Association is Etienne Davignon, President of *Société Générale de Belgique*. The Vice-President is François-Xavier Ortoli, Honorary Chairman of *Total*, and former President of the European Commission. The Secretary General is Bertrand de Maigret.

The AMUE is a private group for reflection and action and is present in all 15 Member States of the European Union. Its headquarters are located in Paris. Companies and banks, which are members of the Association, globally employ nearly 8 000 000 people. Small and medium-sized companies participate in the activities of AMUE most often through professional organisations such as the Federations of Dutch, Greek and Swedish Industries, the French and Spanish Chambers of Commerce, the Belgian, Irish, Italian and Spanish Employers' Confederations, etc.

The Association organises approximately 250 conferences every year throughout the world on the preparation of companies for the changeover to the euro. Its web-site now counts about 250 000 hits a month. AMUE members have the opportunity to participate in working groups with high-level representatives of the private and public sectors in order to organise the most cost-efficient transition to the euro.

The Association has conducted a number of studies on Economic and Monetary Union, its role in a global environment and its sustainability, as well as on the practical aspects, cost, and duration of the preparation of businesses and banks for the single currency. AMUE also publishes a regular newsletter as a service to its members and preparation guides to the euro of which over 1 800 000 copies have been distributed.

