



European Commission

Preparing the introduction of the *euro* a short handbook



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Introduction



All the Member States who joined the European Union in 2004 and 2007 are bound to introduce the euro once the conditions set by the Treaty are met. Slovenia entered the euro area on 1 January 2007, followed a year after by Cyprus and Malta on 1 January 2008.¹ The other ten Member States still have to make efforts with a view to achieving the "high degree of sustainable convergence" needed for the lifting of their derogation to the participation to the single European currency.

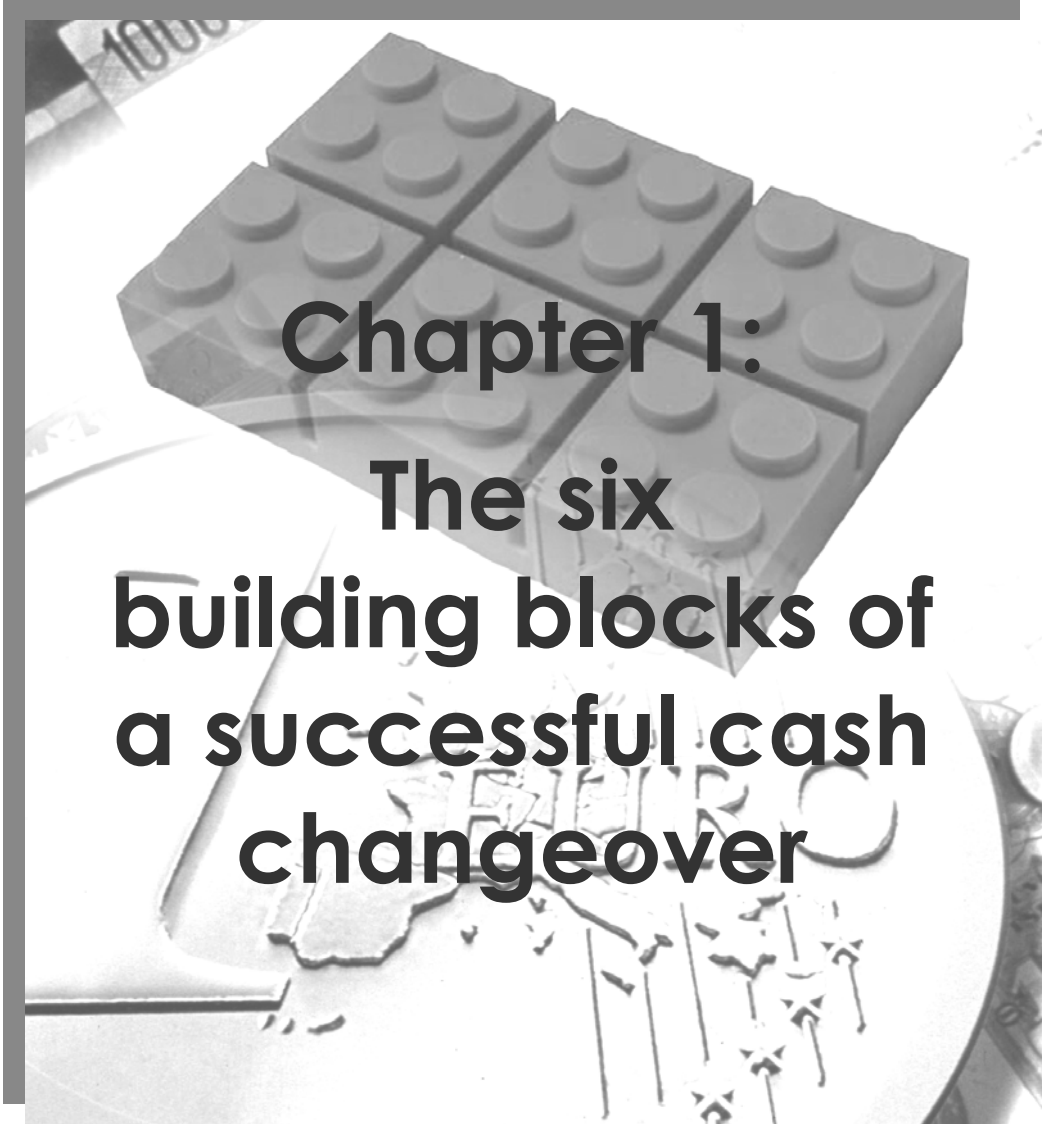
While joining the euro is essentially a question of adopting the right economic and monetary policy, preparing for the physical introduction of euro notes and coins is a very wide task, which calls, beyond the public administrations, for the active involvement of all the economic operators (banks, companies...) and ultimately, of all the citizens. Introducing the euro is therefore not only the government business, but literally, everyone's business.

The experience acquired by the 15 countries having introduced the euro can be of great use for the Member States who still have to organize similar operations. This handbook aims at providing a synthetic analysis of the main ingredients of the recipe for a successful changeover, knowing however that each State must ultimately create its own recipe, discussed with all the actors concerned.

The organization of a euro changeover is not a ready made item to be imported from Brussels or Frankfurt, but rather a truly *national* plan. This plan should build on the experience of the frontrunners, but also take into account the numerous specificities which make each Member State unique and the European Union so diverse.

This handbook is organised around five chapters. The first chapter will briefly present the building blocks of a successful cash changeover. The second chapter will describe the efforts needed to prepare the citizens for their new currency, while the chapter three will cover the preparations of the public administration. Chapter 4 will provide recommendations for company's preparations. Last, chapter five will give advice for the preparation of the vending machine industry, which is by its very nature significantly affected by the cash changeover.

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Chapter 1:
**The six
building blocks of
a successful cash
changeover**

Introducing a currency is always a huge logistical operation. It was particularly the case in 2002, where the introduction of euro notes and coins was the largest-ever currency-changeover operation. The participating countries produced 15 billion notes and 51 billion coins. In the first weeks of 2002, they distributed about 8 billion notes and 38 billion coins to 218 000 banks and post offices, 2.8 million sales outlets and 302 million individuals in twelve different countries. In the same time, they withdrew a large proportion of the 9 billion national notes and 107 billion national coins in circulation. Should the coins have had to be transported the same day, for instance, there would have been needed about 418 000 security trucks!

Member States have to face this significant logistical challenge and, in the same time, to make sure that the operation is smooth and quick. In this respect, the speed of the introduction of the euro is a crucial factor for the public perception of the operation.

The complexity of giving change is indeed liable to lengthen significantly the time needed to make a payment and, consequently, the waiting time at checkouts. For instance, a survey carried out in 2000 on behalf of the Dutch Railways estimates the time needed to handle payments at 50 seconds for a payment in euros, 60 seconds for a payment in guilders (with change given in euros) and 120 seconds for a payment in which a mixture of the two currencies is tendered by the customer. If no corrective actions were taken, the queue in front of each counter at the central station in Amsterdam would build up to 100 people by 09.00 and would peak at 1 200 people by 22.00: proof by reduction to the absurd of the need to identify and implement the necessary measures to compensate for this temporary increase in the time taken by payment operations. According to a Commission survey of large retailers, checkout waiting times at large retail outlets could increase, in case special measures are not undertaken, by 25-100%.

Therefore, the length and intensity of the dual circulation period should be reduced as much as possible. The objective is to have the largest possible share of payment in euros as quickly as possible, with a view to reducing the risk of having to face long queues at the tills all over the country. The 'recipe' for reaching this result is now well known and its efficiency has been repeatedly established. This chapter presents the six building blocks of a successful cash changeover.

1. A large frontloading of the banking sector

Frontloading means the early distribution by the Central Bank of euro notes and coins to the banking sector.

Why is it important?

A large frontloading presents many advantages:



- it spreads over a longer time period the distribution of euro notes and coins, thus reducing the risk of practical bottlenecks (lack of security transport) or unforeseen events (snow tempest or flooding blocking the roads, large strike etc.);
- it reduces the burden caused by the simultaneity of the euro introduction and withdrawal of the legacy currency operations, by setting capacities free for the return of the former national cash;
- it facilitates the distribution of cash by prepositioning it in a very large number of bank agencies all over the territory, as Central Banks have generally a limited number of branches and in some countries, do not even have premises outside the capital;
- it allows a sub-frontloading operation to the retail sector.

How does it work?

The ECB has adopted a guideline¹ setting the basic principles of the operation: banks have mainly to:

- provide full collaterals,
- store the frontloaded euro notes and coins separately (especially, from those used for exchange rate operations),
- avoid putting them in circulation before the €-day and
- bear the risk of destruction, loss, theft or robbery.

The debiting of the frontloaded cash is deferred until the settlement date of the first, fourth and fifth Eurosystem main refinancing operation following the cash changeover date.

Usually, the operation starts around the month of September, ie, 3 months before the €-day.

The importance of the frontloading can be illustrated when considering the statistics of the 2002 operation²: Banks had received a total of 132.1 billion euro notes by 31 December 2001, equivalent to 21% of total production and to 67% of the value of notes in circulation.³ The frontloading of banks with coins was on a much larger scale than in the case of notes: between September and December financial institutions received the equivalent of 73% of the total production (in volume terms) and 96.3% of the coins in circulation in mid-January.

¹ ECB guideline on certain preparations for the euro cash changeover and on frontloading and sub-frontloading of euro banknotes and coins outside the euro area, OJ 28.7.2006. L 207/39

² Communication from the Commission to the European Council. Review of the introduction of euro notes and coins. COM(2002) 124.

³ As a percentage of the value of notes in circulation on 15 January 2002

2. A significant sub-frontloading

Sub-frontloading means the distribution by the banks of the frontloaded euro notes and coins to the retail sector.

Why is it important?

- like the frontloading, it spreads over a longer time period the distribution of euro notes and coins and, therefore, reduces the risk of last minute hiccup;
- it allows the retail sector to start using the euro immediately as of the €-day, without having to go to the bank to queue up to get cash;
- it allows the retail sector to train actively the staff to the handling of the new euro cash, especially with the coins, which cannot normally be obtained via an exchange rate operation at the bank counters.

How does it work?

Member States should devise and distribute simple tools to the retailers for estimating their cash requirements, as it is not easy for traders to evaluate their frontloading and cash float requirements in advance.

Retailers should place their specific orders at their bank or buy pre-packed standard retailer kits. According to the above mentioned ECB guideline, the subfrontloading takes place at the full risk and responsibility of the professional third party. Retailers must notably store the cash received and not dispose of it, they must accept a right of inspection of the NCB in their premises to verify the presence of subfrontloaded notes and coins and undertake to pay penalties in case of breach of its obligations.

The ECB guideline should be implemented without excessive severity as too stringent conditions may deter the retail sector to participate to the operation, as experienced in Italy in 2001 or in Malta in 2008. The ECB is furthermore preparing a revision of the guideline with a view to simplifying it. Member States should actively communicate to convince retailers to accept subfrontloaded cash. They should also find an agreement with the banking sector with a view to passing through to the retail sector part of the financially attractive deferred debiting conditions offered by the Central Bank to the banks.

Very small shops may nevertheless find it difficult to participate to an early operation of sub-frontloading, as they may encounter serious problems for storing the cash or providing the requested collaterals. Member States could therefore usefully organise a special access to the bank counters on 31st December with a view to allowing the small shopkeepers to take the euro cash they need, as it was successfully done in Cyprus.

3. A supply of euro coins mini kits to the citizens



This supply constitutes the last step of the frontloading operation.

Why is it important?

- like the first 2 operations, it helps spreading the distribution of coins over a longer time period;
- it avoids having to use the shops as the only channel of distribution of the coins to the general public (people usually don't go to the banks to get coins);
- it helps customers to pay the exact amount they owe and therefore limits the amount of change to be given by the retail sector, at a time where it is under heavy strain;
- it is the first contact of the citizens with their new currency (most people have already seen banknotes but no one has seen the new "national" euro coins). This contact is a very important moment in terms of communication it truly marks the last countdown before the euro changeover.

How does it work?

Coin kits are sold to the general public in December, usually during the two last weeks. They are generally worth 10 to 20 euro and correspond for obvious reasons to a round amount in legacy currency. They are normally packaged in intentionally ugly plastic bags, so as to limit the temptation to collect them.

Experience shows that they attract a considerable attention from the public and are even often used as Christmas presents for kids. It is not unreasonable to consider that at least one kit should be sold per household. But new Member States must also face a significant interest from the coin collectors of the rest of the EU. For the smallest Member States, there is a risk that a significant proportion of the quantities produced could be immediately deviated from the national market. Some 10% of the Maltese coins issued were for instance already sent abroad three weeks only after the beginning of the changeover. If need be, several actions could be envisaged to avoid a serious disruption in the supply of mini coin kits to the citizens:

- restricting the sale to bank account holders. This measure is potentially very effective for limiting the leak of the kits abroad, but could act as a counterincentive for a wide diffusion of the coins, as it would make the operation much more complicated.

- producing specific coin items for the collector market. This is the option followed by Slovenia, Malta and Cyprus. It helps maintaining easy conditions for the purchase of the kits, as anyone can still enter any bank agency to buy them.

4. An immediate adaptation of the ATMs

In some countries, ATMs are the main source of supply of the citizens with banknotes.

Why is it important?

Even if the citizens could buy euro banknotes in advance (as a foreign exchange operation), most of them will wait for the start of the cash changeover to do so. It is therefore of great importance that they get euros- and euros only - from the ATMs as of the first day of the changeover. The distribution of the legacy currency must be discontinued, as it makes no sense to keep on introducing banknotes at the very moment where they have to be withdrawn.

How does it work?

ATMs with 4 cassettes can have 2 cassettes preloaded with euro and electronically activated on e-day at midnight. ATMs with 2 cassettes can either have a preloading of one cassette or a temporary close-down for a couple of hours until the old cassettes are taken out and replaced by the new one containing euro banknotes.

The almost immediate adaptation of the ATMs requires a careful planning and a systematic examination of the human resources available for the implementation of the change, especially for the cases for which a remote electronic action is not possible.

ATMs should provide only 10 and 20 euro banknotes during the cash changeover period, as large denominations create problems for the retail sector for giving the change. ATMs with four cassettes located within the bank premises could also usefully provide 5 euro banknotes, as the refill of the cassettes is easier than for the isolated equipments located in the streets.



5. An easy access to the banks for the exchanges and withdrawals over the counter

In normal times, people don't get very often to their bank agency to withdraw cash. Experience shows that the situation is quite different during the cash changeover.

Why is it important?

An easy access to the banks allows the citizens to exchange quickly the legacy currency against euros. It is particularly important for countries in which people tend to keep large cash amounts at home: this precautionary saving is by definition not intended to be spent in the shops and can therefore only be exchanged at a bank counter or deposited on a bank account.

How does it work?

With a view to facilitating the exchange over the counter, Member States should:

- negotiate with the banking sector extended working hours during the first week following the changeover, together with an opening of the main bank agencies on 1st and 2nd January. The fact that most people don't work on those two days makes it easier for them to go at the bank and exchange their legacy cash before January 3rd, ie, before most shops reopen;
- refrain from creating any extra control for cash exchanges at the counter. The temptation can sometimes exist to use this operation as an opportunity to fight tax evasion and/or money laundering. It is better not to follow several goals at the same time and to keep the operation as simple as possible, so that no one is deterred from exchanging quickly his cash;
- serve with small denominations the cash withdrawals and the exchanges over the counter during the changeover period, so as to make it easier for the retail sector to give the change and limit the quantity of cash they need.

6. A change given exclusively in euro by the retail sector

Retailers are a key actor in the cash circuit, especially for coins.

Why is it important?

By giving the change exclusively in euro, retailers play a true function of "vacuum cleaner" of the legacy currency, which is progressively naturally taken out of the fiduciary circuit through the normal daily purchases of the citizens, thus avoiding useless long queues at the bank counters.

How does it work?

Retailers have to assess their cash needs during this period and evaluate the implications. Experience shows that they will need from 3 up to 5 times more cash than usual (cf. chapter on SMEs preparation) for 2 reasons:

- shopkeepers cannot recycle the legacy cash tendered by their customers to give the change,
- consumers tend to do more cash payments in the first days of the cash changeover, with a view to using the legacy currency still in their possession.

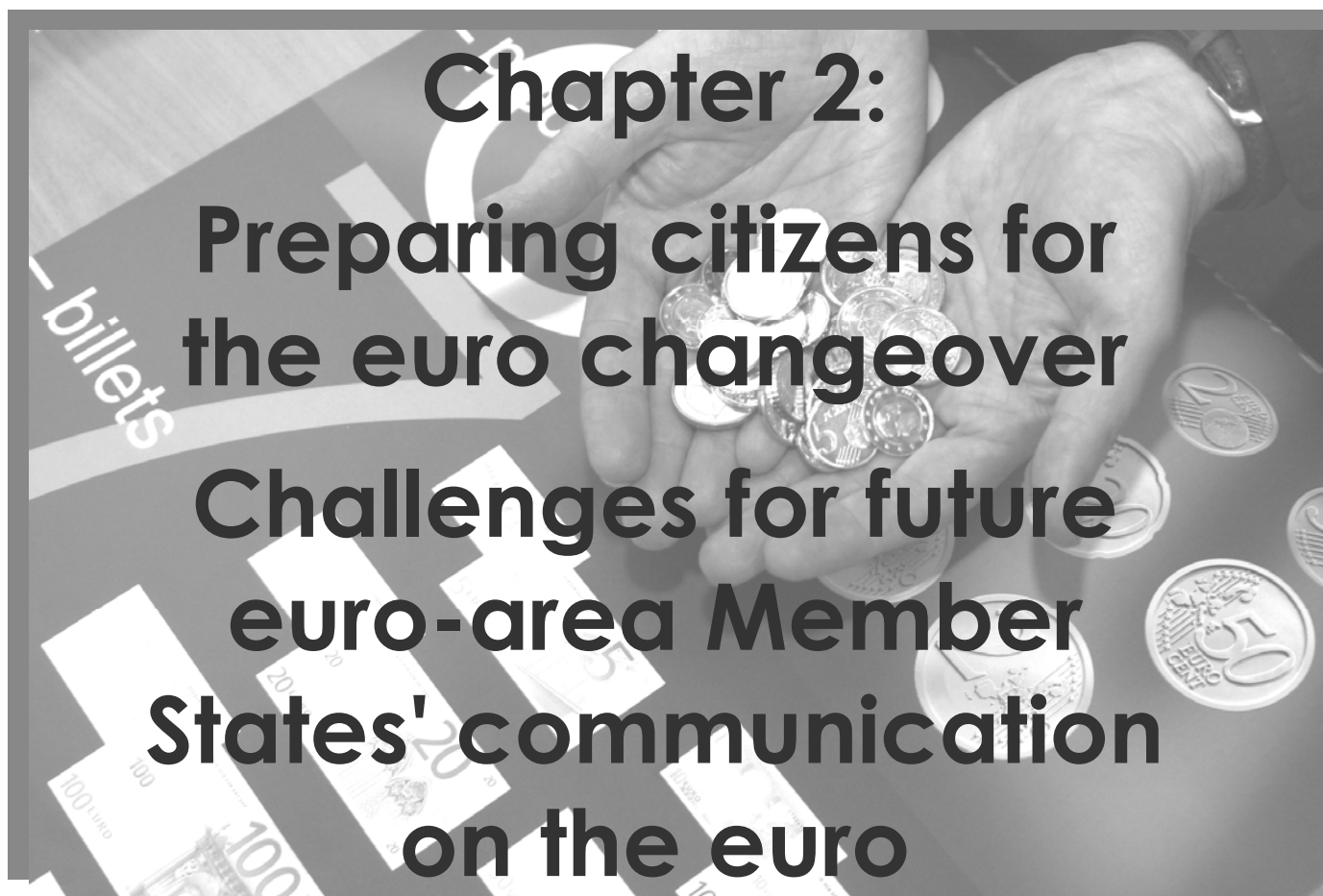
This extra cash needs to be stored. It also needs to be covered by an insurance. Member States should negotiate with the insurance sector an agreement guaranteeing that they will not charge an extra fee for the coverage of the extra cash stored in the shops during the changeover period, as was done for instance in France.

The six building blocks presented above are the key essential elements for a successful cash changeover. However, this does not mean that the list of actions to be implemented ends there. Some other important elements are worth being mentioned:

- All electronic point-of-sale terminals should be switched to the euro on the day of its introduction. Consumers should be encouraged to use electronic payments more often during the first days after its introduction. Special agreements should be negotiated by the Member States with the card companies with a view to lowering the fees for card transaction during the first two weeks of the cash changeover. The technical capacity of the payment infrastructures to handle a significant increase of the volume of electronic transactions should naturally be checked in advance, notably when the cash changeover and the winter sales coincide.



- It is useful to foresee a period of several months for the free exchange of notes and coins over the counters of the commercial banks and a very long period at the Central Bank, so that people don't rush to exchange their cash savings in the first days of the operation, which could create unnecessary waiting lines at a moment where the priority has to be given to the exchange of the cash actively used for the daily transactions.
- Retailers should be provided with special facilities in the bank offices during the first 2 weeks of the cash changeover allowing a quicker cash supply with a view to avoiding losing time in a waiting line.
- It is of great importance to ensure the security of the operations, notably via a systematic free escort by the police (or the army) of the security trucks transporting banknotes during the last week of December and the first two weeks of January.



Chapter 2:
**Preparing citizens for
the euro changeover**
**Challenges for future
euro-area Member
States' communication
on the euro**

1. Introduction



Preparing a country for the introduction of the euro is a major challenge, not only in terms of logistical preparations but also in terms of communication with the citizens. Using a new currency is for many citizens like **using a new language** for every day transactions.



A thorough preparation of all citizens is in the **joint interest** of the Member States concerned and of the European institutions. Economic and Monetary Union is one of the main pillars of the European Integration process and people closely associate the euro with the European Union.

A **close coordination** of all parties (National Ministries, Public Relations Offices, Central Banks, national business and consumer associations, the European Commission and the European Central Bank) is therefore important.

It is equally important to build on **existing experiences** and lessons from past changeovers. The Partnership agreements with the European Commission and the twinning arrangements with euro area Member States provide a good framework for sharing best practice experiences. Of course the national authorities have to take the lead in the communication to citizens as they know best the language, sensitivities and information needs of their citizens.

The success of a country's changeover to the euro depends, to a large extent, on the implementation of a comprehensive, timely and well-structured nation-wide communication strategy on the euro. Past experiences show that citizens who are well-informed about the practical consequences of the euro feel more confident about its introduction and adapt more easily to the new currency. On the contrary, a lack of information may be a source of apprehension or misunderstanding.

The first-wave euro-area Member States, which introduced euro cash in 2002, Slovenia, which did so in 2007, as well as Cyprus and Malta, which followed in 2008, all established and implemented a comprehensive national communication strategy on the euro. Drawing on these experiences and on examples of best practice, this chapter outlines the objectives of the national communication activities on the euro and their main features, including the content of the campaign, the target groups and the communication tools and channels.

2. Objectives of the national communication strategy on the euro

The two main objectives of a euro changeover communication campaign are:

1. To **raise and increase support** for EMU, the euro and the changeover. The communication activities must lead to a positive attitude and a willingness of citizens to adopt the euro. This change in behaviour is the ultimate challenge but will improve the smoothness of the changeover considerably. It is therefore important to:

- Explain the benefits of the EMU and the euro for the country's economy, for businesses and for all citizens at personal level;
- Address possible fears and worries related to the changeover, e.g. relating to possible price increases in a credible and reassuring manner.

2. To **provide comprehensive and easily accessible information** to all target groups on the practicalities of the euro changeover. It is therefore important to:

- Increase citizen's knowledge of the single currency and the features of the euro cash
- Explain the different phases of the national changeover process, including the legal framework

The results of regular **Eurobarometer surveys** on public opinion on the euro, which the European Commission conducts in the Member States which have yet to adopt the euro, demonstrate that there is a link between the national communication activities on the euro and the citizens' support for the introduction of the single currency. In Cyprus, for example, the support for the euro increased from 32% in September 2006 to 40% in April 2007 and 44% in September 2007. It is fair to assume that the communication campaign implemented by the Cypriot authorities in view of Cyprus' euro adoption on 1 January 2008 was instrumental to increase the support for the euro. The survey results for Malta, which had a very comprehensive communication campaign before the euro was introduced on 1 January 2008, allow drawing a similar conclusion. In September 2007, 56% of the Maltese stated that they are personally very or rather happy that the euro will replace their currency, compared to 54% in April 2007 and 48% in September 2006.

In the first wave countries, most countries implemented a wide range of communication activities in the period prior to the introduction of the euro in January 1999 and again in the period imminent to the introduction of euro banknotes and coins as of 1 January 2002. This is clearly reflected in the results of the Standard Eurobarometer surveys: public support rose sharply to reach 70% in the EU-11 in

autumn 1998 compared to 52% in spring 1997. While slightly levelling off to 62% in autumn 2000, support for the euro increased again to 75% in spring 2002.

3. Development of the communication strategy



Before developing a communication strategy one has to carry out **extensive research** on the specific aspect of a given country that will influence the communication process. A blueprint of the cultural environment, the economic and financial situation, the history, the media landscape, the stakeholders involved, the government institutions and the target audiences and their characteristics will help to develop a strategy that will satisfy best the communication needs of the citizens. Analysing the Strengths, the Weaknesses, the Opportunities and the Threats (SWOT) of the envisaged communication strategy is important to achieve efficiently the campaign objectives.

The **communication strategy** should be prepared early on. A country should not wait for the setting of a target date, which will depend on the state of economic convergence, before starting the necessary preparations. Even a country without a target date for the euro changeover should set up early on a communication strategy, in particular if the support for the euro is low. Early information on the benefits of the euro can help to facilitate the operation once a target date has been set. Also information on the convergence requirements can help citizens to better understand and accept the euro introduction process. A euro changeover campaign is best developed in an early stage and implemented over a period of several years. A campaign for less than a year is bound to fail because there are too many messages to be transmitted and many groups to be targeted in a too short period of time. A good criterion for the time when a country should start its communication on the euro is the level of awareness about and support for the euro.

A continuous analysis of the results of **surveys and feedback** on communication activities during the campaign period is important to adjust the campaign where necessary. Surveys may show that one or another target group show less interest or support in the euro than another one or that some key messages have not reached the target audiences so that new communication actions or a repetition of earlier actions are needed. During the campaign period the surrounding economic or political situation may change so that new communication needs have to be addressed. During the Cypriot and Maltese changeover, for example, price rises of raw material caused prices of end products to rise and the general public had to be informed that these rises were not caused by the introduction of the euro.

The prime responsibility for the definition of the national communication strategy on the euro usually lies with the government as part of the responsibility to decide on the national changeover plan. As mentioned in the introduction, several

stakeholders have a common interest in making the changeover a success and must bear part of the responsibility.

Most of the current euro-area Member States established a **national changeover board** in charge of coordinating the national changeover preparations, including communication issues. In some cases, the changeover board set up a specific 'communication committee'. This seems indeed appropriate because such a committee can develop the details of the communication strategy, develop a precise communication action plan and provide a forum for coordination for all stakeholders involved. In Slovakia, for example, the communication strategy was prepared by the Communication Working Committee that was established by the National Bank of Slovakia. The Committee includes representatives of the National Bank, of the ministries of finance, economy, labour, justice and education, the banking association, Slovak television and radio, the association of towns and municipalities, the association of trade and tourism, representatives of Slovak minorities and vulnerable groups as well as the Representation of the European Commission in Slovakia.

Whatever the organisational framework for the development of the communication strategy, it is crucial that all levels of government, the banking and financial sector, business and professional organisations, consumer organisations, non-governmental organisations as well as the representatives of minorities or vulnerable groups are being consulted or given the opportunity to contribute to the definition of the communication strategy. The **involvement of all interest groups** and as many as possible relevant stakeholders at an early stage of the project helps ensuring the best possible input and commits these parties to the changeover process so that they are willing to contribute to its implementation as 'multipliers' of the information (see below section 6.). Finally it is important to involve right from the start communication experts in the development and later in the implementation of the strategy.

When drawing up the strategy, the **budgetary implications** should be carefully assessed and the necessary budget made available early on. One should take into account that during the campaign new communication needs may emerge. Therefore, the budget should allow some flexibility. A reserve should be at hand.

The **European Commission** offers Member States preparing for the adoption of the euro the possibility to conclude **Partnership Agreements**. Under these agreements, the Commission supports a variety of activities developed by the national authorities, such as media campaigns, the production and distribution of publications and promotional material, the organisation of conferences and seminars, opinion polls etc. An important condition for concluding a Partnership Agreement with the European Commission is the adoption of a comprehensive communication strategy on the euro by the Member State concerned. In the process of developing the national communication strategy, the Commission provides guidance and assistance to Member States.

Moreover, via '**twinning agreements**' with current euro-area Member States, future euro-area entrants may draw on past experience and receive guidance on the design and implementation of their own communication strategy. The twinning agreements help to disseminate best practice and to transfer expertise. The European Commission assists in establishing twinning agreements and supports certain activities which are implemented in their framework.

The **European Central Bank** (ECB) also assists the national central banks in the development and implementation of their communication activities on the euro. It provides, inter alia, printed and audio-visual material on the design and security features of the euro banknotes and coins.

4. Target audiences

A successful and smooth changeover to the euro not only requires that the *majority* of citizens is ready for the switch to the new currency, but that *all* citizens are well prepared, including vulnerable groups and persons for whom access to information is difficult. The communication campaign therefore needs to reach out to each and every citizen, without them having to actively search for information.

A segmentation of the target groups is necessary. This is part of the preliminary research mentioned above. Differentiating segments of the population will help the communication experts that are responsible for the implementation of the strategy to better define the goals of the specific communication activities and the content and the format of the (key) messages. Often a distinction is made between primary and intermediary target groups. The first are the ones that are targeted by the communication activities, the second being the persons who will pass on the messages. A target group can also be described on the basis of at least two aspects: demographically (age, sex, language, religion, income, residence, education and professional activity) and problem related (how does the target group relate to the euro).

Thus several target groups for the euro campaign can be identified, which to some extent may overlap. It is clear that after making a blueprint of the population on the basis of the chosen criteria, some communication tools and channels may be appropriate to reach several target groups at the same time.

Past experience suggests that the following target groups need to be addressed:

- **Consumers** need to be informed about the changeover details and implications of the euro introduction for their daily transactions (purchases, savings etc.). Experience has shown that consumers are very sensitive to all information concerning possible price increases.

Further subcategories can be defined and communication addressed to those:

- **Housewives:** The family budget is still very often managed by the housewives and often they are responsible for the purchases. Surveys show, that women are often more sceptical vis-à-vis the euro than men.
 - **Youth.** Young people have different consumer needs and have separate purchase habits which need to be addressed accordingly.
 - **Senior citizens:** Old and elderly persons will need a different approach. In particular instruments need to be specifically adjusted to their needs.
 - **Vulnerable groups** (see below)
- **Businesses** are part of the primary and the intermediary target groups. It is clear that they play a crucial role in the process of adopting the new currency and the channelling the new coins and notes into circulation. They need to be well prepared. In particular small and medium size enterprises require special attention and need to be convinced to prepare in time
 - **Government Officials.** It will be important to educate the officials as 'ambassadors' for the euro. They can play a crucial role in creating confidence because they often have close contacts with the citizens.
 - **Students, primary and secondary school children** should be addressed with tailor-made information. The younger generation, being the working generation of tomorrow, will thus be made familiar with the history, objectives and benefits of the single currency early on. Indirectly, the information provided to children and students may also reach their parents and families.
 - **Vulnerable groups** need specific information and/or material. Some of these groups cannot access information in the same way other groups do. We identify mainly:
 - elderly with special needs
 - persons suffering from a physical, sensory or mental health problem
 - persons living in rural areas
 - ethnic minorities
 - migrants and homeless people who often suffer from social exclusion,
 - unemployed persons
 - persons in socio-economic difficulties
 - illiterate or innumerate persons
 - prisoners

5. Partners and intermediate target groups

Not only central government institutions will communicate on the euro. Also other stakeholders have an interest and will be engaged in this process. The objectives of the various communicators will not always be identical and necessarily follow the line defined in the official national communication strategy. In some cases the messages will even be euro-sceptic or purely commercial. Nevertheless, the support of intermediate target groups is indispensable.

For the implementation of the national communication strategy there will be several **partners** involved. In most cases there are:

- professionals in communication
- the European Institution
- government authorities at regional (or lower) level
- banks
- NGO's
- consumer organisation and consumer protection groups
- employer's organisations and trade unions

In Slovakia, for example, the National Bank of Slovakia and the Ministry of Finance, other ministries, but also the representations of the regions and municipalities and of minorities are engaged in the same challenge and will disseminate messages that relate to the goals set out in the national strategy. In Cyprus, the National Bank of Cyprus and the Ministry of Finance worked closely together. It is very important to coordinate the communication activities between these partners so that a coherent message is passed on to the citizens. Therefore, close cooperation between the partners and consistency in the actions and messages is crucial.

With a view to spreading the information as quickly and widely as possible, the campaign should make use of **multipliers** who disseminate information to the public, their members or the persons they represent, their clients, etc. This approach was applied by all Member States preparing for the introduction of the euro. In implementing the national communication strategy, the national authorities should in particular liaise with the following institutions and entities:

- **Regional and local authorities.** Besides disseminating general information, they can provide citizens with specific information of a more local nature (for example on the opening hours of local banks and post offices around the changeover day, etc.) and are used to address citizens living in remote areas.
- **Media and press** play a crucial role in disseminating information to most of the target groups. The media should be specifically addressed via press briefings, press conferences, seminars for journalists, focused information packages etc. It is important to involve the press from the beginning. When

journalists are well informed in advance they will portray the right image and disseminate the correct information. It is important to prepare a specific press action plan and dedicate specific resources for following up this important target group. In the communication action plan one will identify the key moments for interaction with the press.

- **Educational system.** Schools, universities, teachers, academics, etc. are in direct and regular contact with children and students and thus very well suited for passing on information to them.
- **Professional and business organisations.** As part of their regular information activities for their members, they are an appropriate channel to disseminate information which is relevant to enterprises' preparations for the euro changeover.
- **Banking and financial sector.** Banks are one of the most preferred and trusted sources of information on the euro among citizens in the Member States which have yet to adopt the euro, and they are particularly well placed to disseminate information on euro cash and on the implications of the euro on bank accounts and financial transactions in general.
- **Retail sector.** Since citizens will directly be confronted with questions relating to the use of the euro in cash and non-cash payments in retail outlets, the latter is an appropriate place to disseminate information on the euro banknotes and coins, on the dual display of prices, etc.
- **Employers' organisations and trade unions.** In their regular communication with employers and employees, they can spread information on the euro to them.
- **Consumer associations.** They can play an important role in informing about measures to enhance consumer confidence around the changeover and contribute to alleviating consumers' fears. In the framework of a fair-pricing strategy consumer associations may also be involved in price monitoring activities.
- **Social workers and associations representing vulnerable groups** (e.g. the blind and partially sighted). As they are very familiar with the specific needs of the vulnerable groups with whom they work or whom they represent, and since they are in direct contact with them, they are an appropriate channel for spreading information to them.
- **Churches.** Clergymen can notably reach elderly or socially disadvantaged people with whom they are in direct contact.
- **Doctors, dentists and pharmacists.** As they are in regular contact with elderly people, it may be effective to channel information addressed to them through these professional groups. .

6. Implementation of the communication strategy

6.1. General issues



The implementation of the communication campaign can **either be managed by the government and/or the national changeover board**, or (fully or partly) be entrusted to a professional communication agency or more agencies that are specialised in carrying out large-scale information campaigns. It is crucial to clearly identify the responsibilities of each partner involved, be it the government, the central bank(s) or the communication agency or other parties involved. This clear division of tasks will prevent misunderstandings, unnecessary repetition or unclear messages towards the target groups.

In the Maltese case, for example, the National Euro Changeover Committee (NECC) was in charge of coordinating the implementation of the euro changeover process, including all communication activities. In Cyprus, the ministry of finance and the Central Bank of Cyprus together had the overall responsibility for the information campaign on the introduction of the euro, while a PR agency was chosen (following a public tender) to manage the advertising and mass media campaigns. Slovakia used the services of a communication agency to specify details of the PR strategy, to produce promotional material and to develop TV and radio spots; certain parts of the communication strategy are being implemented by the National Bank of Slovakia, by the Government Office and by the relevant ministries.

The choice between in-house or out-house activity will very much depend on the **expertise and human resources** that are available in the government bodies which are responsible for the communication on the changeover. For the campaign planning, creative design and production specialised expertise is needed. There is also a need for the right equipment and sufficient human resources. If one decides to outsource the majority or a part of the communication activities one needs to plan carefully and early on the procurement procedures. The contract with the (sub)contractor needs to be clearly drafted and needs to contain a certain degree of flexibility so as to be able to react to unforeseen developments and circumstances. The needs of the target groups are not static since the environment can change over a few months time. A certain margin for adaptation to new emerging needs will allow adjustments to the action plan. If in a worst case scenario, the procurement procedures are delayed or the agency responsible for the outsourced actions can not live up to expectations, the authorities need to foresee a plan B (outsourcing to another company or carrying out the actions with own resources on very short notice). It might also be useful to foresee a crisis communication plan for unexpected events.

Before implementing the strategy, the parties involved need to agree on a **communication matrix/plan** involving the objectives, all target groups, the (key) messages, the channels and tools and a detailed timeline.

As said before, the information and communication activities should start **as early as possible**. In countries where support for the euro is low one should start the actions several years ahead of a possible target date, in countries where support is higher, preparations should start between one and two years in advance. There is a need for sufficient time to familiarise citizens gradually with the new currency. The communication campaign will thus run before and in parallel with the intensive phase of the practical preparations for the changeover at national level, including the preparations for the cash changeover, the changes to national legislation as well as the preparations in both the public and the private sectors.

Information and communication activities should **not stop at the changeover date**, but be continued for a certain period afterwards in order to accompany citizens throughout the first weeks and months in which they use euro cash for daily purchases and exchange residual national cash holdings into euro. Moreover, ad hoc information can thus be disseminated in the event that unexpected critical incidents occur after €-day.

The **intensity** of the communication activities will not be the same throughout the campaign, but rather increase as the changeover date approaches and citizens' interest for the euro gets stronger. Also the focus and the key topics addressed will vary over time. For example, in the early phase of the campaign, the emphasis should be on general information about the single currency, the benefits of the euro and the conditions for euro introduction. As the campaign advances, more practical issues which are directly relevant for the citizens' daily life need to be addressed (dual display of prices, conversion of amounts into euro, security features of euro cash, etc.).

All information should be at hand in a **language** that can be understood easily by all targeted groups. The information should be provided in the official languages but also in the languages used by significant minorities and perhaps in other forms (ex. sign language). All messages should be undoubtedly clear.

Experience demonstrates that developing a **visual identity** for the changeover campaign helps the dissemination of the messages and gives them the necessary credibility as it makes the authorities responsible for euro communication and its communication better recognisable. A particular item of this visual identity is the use of a single logo and/or slogan. It should feature on all information material and will be displayed during all communication activities. The implementation of the strategy should start off with the identification of such a visual identity that is clear and unique.

6.2. Messages

The information and communication campaign on the euro should aim at answering all questions on EMU and the euro which citizens may have or which may arise as the introduction of euro cash approaches. The information should be comprehensive, and the language used should be clear and as easily understandable as possible. The content, the language and the 'tone of voice' of the messages should be adapted to the needs of the separate target audiences.

With a view to explaining the reasons for the **establishment of EMU**, the **benefits of the euro** as well as its social, economic and political implications should be highlighted.

The following benefits of the euro are regularly put forward:

- the euro leads to stable prices
- the euro fosters economic development and growth
- citizens can travel more easily and can better compare prices
- the euro is a widely accepted international currency
- the euro eliminates currency exchange transaction costs
- the euro has achieved the status of a strong and stable international currency
- the euro is a symbol of common identity

Moreover, the **national planning and the timetable for the changeover** need to be explained. This relates, in particular, to the details of the cash changeover and the dual circulation period of national cash and euro cash. Citizens will also take great interest in the conditions and the limits, if any, for the **exchange of national banknotes and coins into euro**. Other practical information, e.g. on the **effect of the euro** on citizens' salaries and pensions, their bank accounts, non-cash means of payment, etc. are equally of particular relevance.

The **denominations, the visual appearance and the security features of the euro banknotes and coin** should be publicised widely, so that citizens get familiar with their designs and are able to recognise them. Wide public knowledge about the security features will moreover be crucial to reduce the risk that citizens accept counterfeit banknotes and coins in payments, which contributes to the prevention of counterfeiting.

Particular attention should also be drawn to the **return of national cash to the central bank**. Already before the changeover, citizens should be encouraged to return excess cash holdings to banks or to use it in payments. Making the 'dehoarding campaign' widely visible reduces the amounts of cash to be transported and handled after €-day.

The conditions and possible limits for the free exchange of national cash into euro at commercial banks and at the national central bank as from the changeover date should be made public to inform citizens and reassure them that national cash retains its value after the introduction of euro cash.

Once available, the **conversion rate** between the euro and the national currency should be publicised widely. The Council of the European Union irrevocably fixes the conversion rate when deciding that a Member State fulfils the necessary conditions for the introduction of the euro and lifting the country's derogation. The rules on the conversion of amounts from the national currency into euro and vice versa, as well as the rounding rules need to be communicated as well.⁴ To familiarise citizens with the new scale of values as quickly as possible, tables displaying a number of amounts in the national currency and their equivalent in euro can be very useful, e.g. when they are used in advertisements and on posters in retail outlets.

Citizens should be informed about the **dual displays of prices** and other monetary amounts (account statements, fees for public services, salaries and social benefits) in euro and in the national currency, which will either be compulsory on the basis of national law or voluntarily applied by retailers and other businesses. The **rules on correct dual displays and their objectives** should be explained.

Since fears of price increases or price abuses in the months before and after the changeover are still very widespread among the citizens of the countries which have yet to adopt the euro, a strong emphasis of the communication campaign should be put on the **fair-pricing strategy** which is implemented at the national level with a view to avoiding unjustified price increases. The individual measures foreseen under this strategy need to receive high visibility throughout the country, with a view to reassuring consumers. Moreover, citizens should be encouraged to choose retail outlets participating in fair-pricing initiatives and to lodge complaints in cases of unfair business behaviour. Consumers who are well informed about their rights will best be able to protect themselves against possible price abuses. In Malta and Cyprus the authorities set up a special fair pricing system with a clear and **distinct visual identity**. Through the use of a dedicated logo, a retailer or outlet showed their adherence to the system.

Clear and timely information should be provided on **price developments** in the months around the changeover. It may be very effective to implement price monitoring schemes in cooperation with consumer associations and to inform consumers about the results on a regular basis. A special website can be dedicated to these matters to inform the population on a regular basis.

⁴ The conversion and rounding rules are laid down in Art. 4 and 5 of Council Regulation (EC) No. 1103/97 of 17 June 1997 on certain provisions relating to the introduction of the euro (OJ L 162, 19.6.1997, p. 1), as amended by Council Regulation (EC) No 2595/2000 of 27 November 2000 (OJ L 300, 29.11.2000, p. 1).




Finally, citizens will appreciate timely information on the **changes to national legislation** which are necessary with a view to the adoption of the euro. This relates, for example, to changes in the area of taxation and social benefits, and more generally to any laws referring to monetary amounts in the national currency which are planned to be amended. More practical implications of the euro on citizens' relations with the public administration are also relevant topics to be covered by the communication activities. This concerns, inter alia, the validity of stamps expressed in the national currency, the timeline for the changeover of tax reporting to the euro, etc.

Depending on the specific needs in a given country or as regards to a specific target group other messages can be sent or other topics treated. The specific characteristics of a country and its population will also demand a specific approach as to the creative approach. The social and cultural values are not similar in all euro Member States. Further different target groups will require a specific **creative 'translation'** of the messages. Also the use of different languages, as said before, is possibly needed.

Consistency and clear messages, repeated over and over again, finally pay off in favour of the goals set out.

7. Communication channels and tools



With a view to reaching all target groups referred to above with the specific messages, any means of communication which are effective and suitable should be envisaged. In some cases mass **media communication tools** are to be preferred, in other cases more low level and even person-to-person communication activities are to be preferred. It has proven useful to develop a comprehensive matrix with all the target groups, the messages that should reach them and the channels or tools that will be used to do this.

Survey results suggest that **television** is the most popular means for receiving information on the euro among citizens in the recently acceded Member States. In the September 2007 Eurobarometer survey, on average 90% of respondents in these countries mentioned television as one of the channels through which they would like to be informed about the single currency. 81% referred to banks, 78% to newspapers and magazines as well as the radio, and 73% mentioned the internet. Schools and other places of education and training were referred to by 65% and one's own letter box by 62%.⁵ These figures show that many channels can be used to reach the different target groups depending on their media habits.

⁵ Flash Eurobarometer 214, available at http://ec.europa.eu/public_opinion/euro_en.htm. Multiple answers were possible.

The following information channels and tools are useful, while the list should not be considered to be exhaustive. Most of the tools were applied in the Member States which prepared for the adoption of the euro.

- **Information spots and advertisements on TV and on the radio.** They will reach a significant share of the population.
- **Advertisements in newspapers and magazines** are equally suitable to reach a large number of people
- Specific **press packages and press releases** will prepare the journalists.
- **A dedicated national website** offering information on the euro, which needs to be regularly updated and promoted. Via the website (or an e-mail address displayed on the website), citizens should be able to ask questions on the euro, on which they should swiftly receive clear and comprehensive answers. The website should include links to euro-websites of other national institutions or bodies, of other Member States, of the Commission and the ECB, of banking, business and consumer associations, representatives of vulnerable groups, etc.
- One can envisage the use of other **internet tools**. There is a wide range of possibilities, amongst others paid promotion resources, web page registration resources, chat and webzine resources, mailing list and newsgroup resources and forums.
- **A telephone helpline.** Such a helpline allows citizens' to have their questions on the euro answered quickly and to receive individual feedback. The helpline should be toll-free. Preferably there should be only one national euro telephone help line with a telephone number which is eye-catching.
- **Printed material**, such as leaflets, brochures and posters, should be made available. Depending on the subjects covered, the material can be sent directly to all households or to specific target groups. It can moreover be given to banks, retail outlets, schools and universities, etc. for further dissemination, or be made available in public places. The content and its design should be adapted to the target groups.
- **Portable information stands** in public places, on markets, at trade fairs, etc. Through such stands, the public's attention can easily be drawn to the euro.
- **Mobile information units**, such as trams, buses, etc. They can tour around the country and invite citizens to ask questions or exchange views about the euro and distribute information material. This is particularly useful in bigger countries where large parts of the population live in the countryside.

For example, in Cyprus a 'euro bus' went to all districts, including remote areas, in the last three months before the euro changeover with a view to providing information about the euro.

- **Exhibitions** on the euro. For example, the European Commission designed an exhibition on the euro which can be displayed in suitable places in the Member States upon their request. In 2007, the exhibition was displayed in Brussels and travelled to Cyprus and Malta. In early 2008 it visited Slovakia.
- **Conferences, seminars, lectures.** Such events can be organised for specific target audiences (journalists, cash handlers, etc.) to provide focused information and to allow for discussion and exchanges of views. Specially trained persons may visit schools, old people's homes, etc. in order to provide information in direct contact with citizens. The use of dedicated networks of speakers, like the Euroteam, supported by the European Commission, might help to spread information.
- **Competitions and public consultations** on euro-related topics. If publicised widely, they are a useful means to increase the awareness among the broader public or of specific target groups about the introduction of the euro.
- **Euro converters.** To facilitate conversion operations, some Member States distributed euro converters to households. This measure will be most effective, if the converters are made available in the last weeks before the changeover, as the majority of citizens will use them only shortly before the euro cash is introduced or when they make their first payments using euro cash. Euroconverters are often also distributed by private companies, mostly banks, and will portray publicity for that organization.
- **Cardboard or plastic replicas of euro banknotes and coins.** The distribution of these items to schools and other educational institutions helps them to familiarise children and other students with the denominations, design and security features of euro cash. For example, in Malta, 'euro wallets' consisting of euro plastic coins and low denomination notes were given to primary and high school students.
- **Material meeting the specific needs of vulnerable groups.** Vulnerable groups have difficulties receiving the information on the euro in the same format than others can. For the impaired or for illiterate or other target groups special information carriers need to be designed and distributed. As an example, in preparation of the first-wave changeover, the Commission coordinated and financed, in cooperation with the European Parliament, different projects ("Euro Made Easy" projects) undertaken by NGOs representing persons suffering from a physical, sensory or mental health problem. In this framework, suitable training methods and some twenty information products meeting the specific needs of these target groups were devised.

The Central Bank of Cyprus produced, in cooperation with the European Central Bank, a 'talking card' for the blind and visually impaired. The 'talking card' provides audio information on the introduction of the euro and the security features of the euro banknotes and coins.

Malta provided intensive training to trainees working within the social sector who were in direct contact with the target groups concerned. The trainees passed on the information as well as material tailored to the specific needs to the target groups in their regular contacts with them.

8. Evaluation and feedback

Preferably all major communication actions should be pre-tested with a sample of the target group before being implemented. The feedback obtained will allow adjusting the strategy, if necessary. Of course, this is time-consuming and expensive and therefore pre-testing might not be efficient in all circumstances. For major campaigns within the action plan pre-testing seems nevertheless to be recommendable.

When implementing the communication action plan, the authorities should monitor, analyse and evaluate the results of the actions. Surveys and opinion polls, quantitative or qualitative, play a central role. But also other means of feedback should be taken into consideration. Questions asked via the telephone help line or the website or analysis of press coverage is very useful. It will help identifying weak points in the achievement of the communication objectives and allow a modification of the action plan if some messages did not reach one or another target group or if a target group did not get the message right.

In Cyprus and Malta, the questions asked by the citizens via the help line and the website helped getting a better idea on how the euro changeover was perceived. Also multipliers can play an important role in returning feedback to a central point. The 'Euro Observatories' in Cyprus had a useful role in communicating towards the regional population but reported their feedback on a regular basis to the Ministry of Finance. Good organised feedback channels need to be set up well in advance to work efficiently.

9. Abbreviated checklist


9.1. Development of the communication strategy

- Have twinning agreements on communication with euro-area Member States been considered, with a view to benefiting from past experience and best practice?
- Have the options of receiving support and assistance from the European Commission and the ECB for the implementation of the campaign been considered?
- Are all stakeholders given the opportunity to contribute to the definition of the communication strategy?
- Have the objectives of the national communication strategy been identified?
- Has the body in charge of coordinating the development and implementation of the strategy been determined/established?
- Has a sufficiently large budget for the implementation of the strategy been reserved?
- Are suitable channels and tools for the monitoring of the communication campaign envisaged, so that the strategy can be adjusted or refined, where necessary?

9.2 Implementation of the communication strategy

- Has a single logo and/or slogan been designed, to provide for the visual identity of the campaign?
- Has it been considered to assign (parts of the) implementation of the campaign to a professional communication agency? Have the necessary procedural arrangements for choosing the agency been taken (possibly the launch of a public call for tenders)? Is there a plan B?
- Are sufficient human resources and in-house expertise available to pilot the campaign?

- Have appropriate 'partners' or 'multipliers' of the campaign been identified who help disseminating the information to the public, the persons they represent or their clients?
- Have all target groups of the communication activities been identified? Have the groups which require specific information or material been identified?
- Have the main topics or messages to be addressed in the campaign been identified?
- Has attention been given to easily understandable, clear and memorable messages?
- Have the timing of the communication activities and the different phases of the campaign (in terms of its focus and intensity) been determined?
- Have the communication channels and tools to be applied been determined?



Chapter 3:
**Preparations for the
changeover to euro by
public administrations**

The public sector generally accounts for an important part of the country's economy. It is therefore essential that the public administration allows plenty of time for its preparations in order to ensure a smooth changeover to the euro.

This means on the one hand that the central authorities must lay down the legal framework and timetable for the changeover, and on the other, that the public sector must prepare itself to play a leading role in informing and protecting consumers during the changeover.

The first step is to draw up the national changeover plan with a view to co-ordinating and monitoring all relevant changeover activities. This should comprise the basic principles and the timetable for the changeover and be regularly updated. The basic principles include the targeted changeover date, length of dual circulation period, and rules on conversion rate and rounding; the plan should also detail the consequences of the principle of continuity of contracts and other legal documents after the changeover and set up rules to avoid abusive pricing.

The preparations should be managed by a coordination team with sufficient human and financial resources. The team should be attached to a head of government or other minister and be vested with sufficient powers to govern the changeover.

Separate expert working groups should be set up under the authority of the national coordination team to deal with specific issues, e.g. legislation, communication campaign, adjustment of information technology etc.

In order to facilitate contacts with the national coordination team, every public administration body (ministry, agency etc.), large public enterprise and local authority should appoint a person to be in charge of the preparations for the changeover. It is also advisable to set up inter-institutional committees to monitor the co-ordination of horizontal issues.

A. Preparation of the central administration

1. Adaptation of the legal framework

1.1 General laws

National authorities should be the initiator and driver of the whole changeover process. They should prepare the rules for their own use as well as for the rest of the country to guide all sectors through the changeover process.



In the current euro-area Member States, the basic legal principles of the changeover were usually set out in the general laws on the euro. These were followed with recommendations laying down detailed rules for specific sectors (e.g. guidelines for banking and finance, social services sector, financial markets). Procedures for amending legislation which will be affected by the changeover should be drawn up as soon as the country decides it intends to join the euro area. It is important to decide whether all the documents stating amounts in national currencies are to be amended separately or all together by a general law. A detailed timetable for the adoption of the legal framework for the euro should be drawn up and strictly respected.

1.2 Public administration specific legal arrangements

Starting from €-day, all the public administration's internal accounting and financial operations will be carried out in euro. All government securities as well as all public contracts outstanding at €-day should preferably be re-denominated in euro. Those that cannot be adapted will nevertheless not be affected, as an EU regulation provides that amounts still denominated in the national currency after €-day must be read in euro, using the official conversion rate. To ensure consistency at all levels of the public administration, special rules creating the legal framework for these operations should be prepared.

Detailed rules on the changeover of the state budget and the internal budgets of government bodies and local administration bodies will have to be fixed.

It should be decided how dual display of prices will apply in the public sector and how the new amounts will be rounded. Therefore provisions will need to be adopted on the conversion and smoothing of euro amounts in texts relating to taxation, insurance, customs, tariffs and duties, social welfare, administrative thresholds and historical amounts.

Rules on the changeover of official forms and templates should also be prepared well ahead of the euro introduction so that their printed versions can be available in time.

2. Internal preparation by central administration

2.1 Conversion of IT systems

In the light of the growing use of IT in all sectors of the economy, including the public administration, it is crucial to prepare thoroughly for the conversion of electronic applications. Their proper functioning should be verified before €-day to allow time for adjustments, if necessary. If the government sector uses the services of external IT companies, it should bear in mind that IT specialists will be increasingly in demand by the private sector as €-day approaches.

The changeover to the euro is a good opportunity to modernise IT systems: while making the software euro-compatible, other necessary updates can be done at the same time.

Many public sector IT systems run large databases denominated in national currency. In many cases, the data could continue to be stored in national currency, and would only be converted if any further processing is needed. However, there could be some cases where conversion of stored data would probably be necessary, for example for the national accounts.

Where data need to be converted, guidance on good practice should be issued for the whole public sector. The original data should be archived; the data protection principles and rules should be followed; and a proper audit trail should be put in place.

2.2 Staff training

The currency changeover and the corresponding IT adjustments will require proper training for government employees. This can take various forms, and its intensity will depend on the extent to which the changeover affects the employees in question.

Civil servants and other public sector employees whose work will be directly affected by the euro introduction and/or who are working with cash on a daily basis should be trained personally or in a group by specialised trainers.

For other personnel, brochures covering the legal and regulatory aspects of the euro and the impact of the euro on information systems, accounting, payslips, taxes, social benefits etc. could be prepared and distributed in paper or electronic form.

Awareness-raising activities such as conferences, workshops or exhibitions may also be considered appropriate.



2.3 The use of the euro in public finances

2.3.1 The preparation of budgets in euro

As of €-day, the national budget as well as all related and supporting documents will have to be drawn up in euro. This must also be borne in mind when preparing the budget for the year in which the euro will replace the national currency. The public debt must also be converted into the new currency. The choice of the changeover date is therefore very important for the technical preparations. The changeover in all current euro-area Member States took place at the beginning of the financial year, and their annual budgets were prepared in euro in the year preceding the changeover. The budgets of all public sector bodies and local administration bodies will thus need to be prepared in euro.

If the changeover were to take place at a date other than at the beginning of the financial year, this would bring additional complications.

2.3.2 Government contracts

The rules for the treatment of public contracts still outstanding on 31 December should be fixed well in advance and the references to the national currency amounts should be converted into euro according to these rules.

All new open-ended or fixed-term contracts concluded by the public administration after the decision on the conversion rate with validity extending after the changeover should contain a reference stating the amount to be paid in euro.

2.3.3 Tax and utility bills; health and social services

All payments and financial reporting by citizens and businesses will have to be made in euro from the first day of the changeover.

The tax authorities should therefore inform taxpayers about how to prepare their tax returns. If the euro is adopted at the beginning of a new financial year, the tax returns for the preceding financial year will have to be submitted in euro. New rules for tax payments in euro should also be established and announced in good time. New amounts for fines and penalties should be established.

Social service payments and health insurance fees will all be converted into euro. Similarly, allowances and social security benefits will be paid in euro as of €-day. To ease the transition, the authorities should ensure that all benefit statements and

calculations display amounts in both euro and national currency from as soon as possible after the official fixing of the conversion rate.

The new thresholds and amounts converted and, if necessary, rounded, for the calculation of these benefits should be fixed by law and published in advance.

2.3.4 Rounding of official charges and tariffs

The EU and applicable national rules related to the rounding of the euro amounts should also apply to public administration. The rounding should be applied in a manner that is neutral or advantageous to citizens, in order to set an example for the private sector.

That said, the impact of rounding of official fees on the country's budget will have to be considered and an approach found that is acceptable for both citizens and the state.

There are many decisions that will have to be taken by the public authorities concerning the smoothing of converted amounts. Amounts should be converted in such a way that they can be handled easily by the public and are convenient for administrative purposes. In most cases, these decisions require further legislation, which must be adopted as soon as possible so that the measures can be implemented in good time. The public sector must ensure that such amounts are treated consistently and fairly. It is preferable to set up the smoothing rules rather to the benefit of the citizens than the reverse.

2.3.5 Adapting paper-based documentation

Various forms, price lists, brochures, books, charters, standard letters, templates etc. containing references to national currency will have to be reprinted with references to the euro. The changeover can however be used as an opportunity to also update other details and if need be the design of printed material.

Depending on the number of official paper-based documents to be updated, this exercise can be particularly difficult from a logistical point of view and requires careful planning and an early start. The new editions should be available for use preferably before €-day.

It will be up to each country to decide whether the material in question should be updated centrally, or done by the various government offices, the ministries and local administrations themselves.

2.3.6 Adapting vending machines for public or civil servants

If the public administration is in charge of any vending machines for the use of general public or its own employees, e.g. parking meters, public transport ticket dispensers, beverage and snack dispensers in office buildings etc., it should make them euro-compatible.

This can be done either by using the administration's own specialists or by calling in external technicians. Past experience shows that conversion can be done more quickly if samples of the new euro coins are available for professional use by vending machine technicians.

Coin vending machines may require the new amounts to be smoothed to an operationally practical value.⁶ As with all smoothing of converted euro amounts in the public sector, it should be ensured that this is not to the citizen's disadvantage.

2.3.7 Preparation for the sub-frontloading of euro cash

Government offices using euro cash should be sub-frontloaded with a sufficient amount of euro cash before €-day. Bear in mind that as of €-day change can only be given in euro, while legacy currency should be progressively withdrawn from circulation. For payments in cash, customer service interfaces should accept either legacy currency or euro until the end of the dual circulation period. For payments accepted in the legacy currency, the fixed conversion rate must be applied.

Detailed plans for the sub-frontloading with euro, the collection of legacy currency and its transport back to the bank should be drawn up. In the meantime sufficient storage capacities for the withdrawn legacy currency cash should be prepared.

The use of electronic payment should be encouraged in the public administration during the first few days of the changeover.

2.3.8 Conversion of civil servants' payslips

Civil service staff will, following the conversion, receive their pay slips in euro. The same applies for public sector pensions.

To help the staff get used to the new currency, wages and pensions should be expressed both in the national currency and in euro, for a certain period of time before the changeover, preferably from the date of publication of the conversion rate, and for some time afterwards for reference.

⁶ More technical details on the conversion of vending machines can be found in the dedicated chapter of this booklet.

B. Preparation of the local authorities

Because of their proximity to and daily contact with the general public, local authorities play a key role in ensuring the success of the changeover to the euro. Their task is twofold: firstly they must themselves prepare for the euro, and secondly they must help the public to prepare properly, by organising training and communication campaigns.

Each local authority should decide how its own preparations will be organised and appoint coordinators for the various tasks.

1. Internal preparations

The main tasks for local authorities are to train their staff and adapt their computer systems and accounts. They should also prepare to accept payments and tax returns in euro.

Training staff to familiarise them with the euro

Many of the staff working for local authorities are in daily contact with citizens and are their first source of information about the changeover. Training for staff should therefore be organised well ahead of the changeover, chiefly in the form of specialised courses for those particularly concerned.

For staff members who do not deal with money in their day-to-day work more general information on the changeover in electronic and/or paper form should be distributed so that they can provide basic information about the services the body they work for will provide during the changeover.

Adapting IT systems for the euro

According to computer companies, it takes between one month and one year to update files, and additional time might be needed to update software programmes and to train staff to use the new tools. Local authorities should therefore beware of underestimating the work involved: they should check the euro-compatibility of their IT systems sufficiently in advance and arrange for them to be updated if necessary.

The constraints of switching to the euro may encourage local authorities to improve governance by modernising their IT systems, financial management and the operation of automatic machines. It is important to weigh up whether it is more efficient to adapt existing software or simply purchase new euro-compatible



versions. Any outdated software which does not meet the current needs of administrators and citizens should be replaced.

Switching over to using the euro in the accounts

The date chosen for local administrations is generally the same as the one on which the national administration switches over. If the country follows the "big-bang" scenario it is usually the day when the euro becomes official legal tender in the country. To accustom staff to working in euro, local authorities can start displaying amounts to be paid in both currencies (national currency/euro) as soon as the official changeover rate is decided.

As at the national level, all administrative forms and templates which contain references to the national currency should be ready for use in the "euro version" at the date of the changeover at the very latest. Standards for the transformation of these documents could be set at the national level and the preparations should be supervised by the respective ministries.

Acceptance of payments and tax returns in euro

From the end of the dual circulation period the local authorities will only be able to accept payments in euro.

The new thresholds and amounts for local taxes and other payments collected by local authorities should be announced in advance and an explanation of the methods of calculation should be available to citizens (e.g. on the website or in printed leaflets). The applicable official changeover rate should be clearly displayed in all offices receiving payments from the public.

If the local authorities run any public utilities (e.g. power, water or heat supply capacities) they must prepare new invoices. They must also fix euro amounts (smoothed if necessary) for road tolls.

2. Preparing the public for the euro: information and communication activities

The local authorities should take an active role in the information campaign on the introduction of the euro. Depending on what human and financial resources are available, they may use various communication channels: distribution of explanatory brochures, poster campaigns, organisation of public conferences or information days at schools, shopping centres etc. Information buses and other outreach activities could also help to ease the transition in remote rural areas.



The added value of local authorities' communication campaigns is particularly evident for vulnerable groups (national or ethnic minorities, the homeless, elderly people, people with disabilities etc.). Local authorities are often the only public authorities which have direct and regular contact with these people and know what type of information they need. If necessary they should consult with the representatives of these groups to develop suitable methods of addressing their needs.

Checklist

- Has the national changeover strategy been drawn up?
- Are efficient monitoring and eventual updates of the strategy planned?
- Has the coordination team been appointed?
- Have expert working groups for specific issues (e.g. legislation, communication campaign, IT etc.) been set up?
- Has a coordinator of the changeover been appointed in every public administration and local administration body?

Adaptation of the legal framework

General laws

- Has a framework law on the euro been adopted?
- Have the recommendations for specific sectors (e.g. guidelines for banking and finance, social services, financial markets) been prepared?
- Have the procedures for amendment of legislative documents which will be affected by the changeover been identified?
- Has the timetable for adaptation of the legal framework been set?

Special legal arrangements for public administration

- Have the rules for the conversion of budgets, financial systems and accounting been adopted?
- Has it been established how the rules on the dual display of prices will apply in the public administration sector?
- Have the rules on the changeover of official forms been prepared?

Internal preparation by central administration

Conversion of IT systems

- Has the euro-compatibility of all IT systems affected by the changeover been checked?
- Has it been established that all necessary hardware and software updates will be available in good time?
- Have the necessary external specialists for the IT adaption been contracted in due time?
- Have the databases which need to be converted been identified?
- Has the archiving of original data been planned?
- Has good practice guidance for conversion of data been issued?

Staff training

- Have the civil servants whose work will be directly affected by the changeover and/or work with cash money been properly trained?
- Have employees who are not directly concerned been provided with basic information on the euro and related changes in their organisation?
- Have employees been informed about the consequences of the changeover for their salaries and social security benefits?

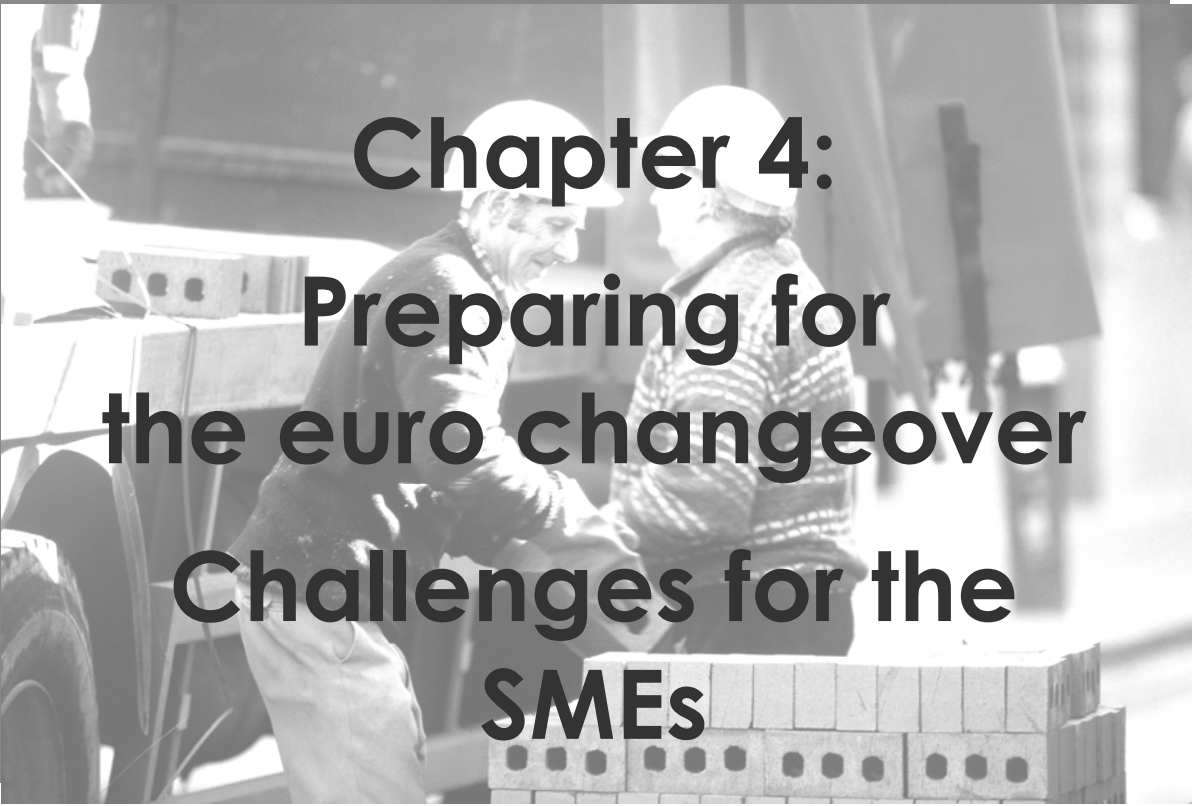
Use of the euro in public finances

- Has the national budget for the year when the euro will be introduced been drawn up in euro?
- Have the budgets of all local administration bodies been prepared in euro?
- Do the new public contracts (i.e. concluded after the decision on the changeover rate was taken) with validity extending after €-day contain references to the amounts in euro?
- Have the general rules for the treatment of public contracts outstanding on 31 December been fixed and implemented?
- Have taxpayers been informed of their obligation to submit tax returns in euro after €-day?
- Have the new rules for tax payments (e.g. thresholds, rounding etc.) been fixed?
- Have the euro amounts for social and health service payments and benefits been prepared and communicated to citizens and businesses in due time?
- Have the rules for rounding and smoothing official charges been adopted?

- Have the rules for adaptation of paper-based documentation (e.g. forms, standard letters, and templates) containing references to the national currency been fixed?
- How is the adaptation of paper-based documents going to be organised across all public administration bodies?
- Has the euro-compatibility of vending machines operated by the public administration been established?
- Has sub-frontloading with euro cash been arranged with a financial institution?
- Has the plan for collection and storage of legacy currency been drawn up?

Preparation of local authorities

- Have local authority staff been trained to provide information about the changeover to the general public?
- Have employees dealing with cash been trained and provided with conversion tables, converters etc.?
- Have the providers of IT systems been asked to check the euro-compatibility of IT systems?
- Has the hardware and software that need to be replaced been ordered?
- Has the date when the local administration accounts switchover to the euro been agreed with the central authorities?
- Have the new thresholds, amounts and rules for local taxes and other payments collected by local administration been set?
- Have citizens been properly informed about new rules?
- Have invoices and euro amounts for public utilities (e.g. power, water and heat supply, road tolls) been prepared?
- Have information events for citizens been planned?
- Have the special information needs of vulnerable groups been taken into account for the information campaign?
- Have national minorities been informed about the changeover in an appropriate manner?



Chapter 4:
Preparing for
the euro changeover
Challenges for the
SMEs

Foreword

The ways and means by which an enterprise can adapt its activities to operate in euro are manifold. Which measures are most appropriate for an enterprise preparing for the euro changeover depends on many factors, for example, its size, its main fields of activity, the extent to which it deals with cash, its reliance on IT systems etc. Obviously, each enterprise needs to establish what its own needs are as regards the changeover and decide the best way to meet them.

The objective of all preparations is a smooth and swift changeover to the euro, with minimum business disruption and maximum cost-effectiveness. Experience shows that timely practical preparations pay off and help enterprises to reap the benefits of the single currency for their own business as quickly as possible.

Large enterprises are generally more easily able to cope with the challenges of the euro changeover than small and medium-sized enterprises (SMEs). Moreover, surveys demonstrate that SMEs, in particular the smallest among them, tend to underestimate both the extent of what needs to be done to adapt their activities to the euro, and the risks of leaving preparations too late. SMEs may have limited human resources and should therefore start their changeover preparations as early as possible so that they can fully operate in euro as from €-day.⁷

This brochure aims at providing advice in order to assist enterprises in their preparations for the introduction of the euro. It is organised as follows: (1) overall planning of the changeover preparations, (2) internal adaptations that will be needed and (3) enterprise's preparations as regards its commercial strategy, including its pricing policy and relations with customers and suppliers.

⁷ €-day is the date on which euro banknotes and coins are put into circulation and become legal tender. Under the "big bang" scenario which is currently envisaged by the great majority of the Member States which yet have to adopt the euro, the introduction of euro cash coincides with the adoption of the euro as the country's currency. The considerations in this brochure mainly relate to a changeover under the "big bang" scenario.



1. Planning the changeover preparations

1.1. Efficient organisation of the euro changeover project

Preparations should **start as early as possible**. As a rule of thumb, this means at least one year before the national target date for the introduction of the euro. However, even in countries which have not yet established a target date or a timetable for the changeover operation, SMEs can usefully start their internal preparations with a view to taking advantage of the opportunities provided by early preparations. Economically, it makes sense for a company to considering the impact of any future changeover to the euro, and it could help it gain competitive advantage over companies which have not yet begun their preparations.

One of the first steps for an SME preparing for the euro changeover is to **assess the expected impact of the change of the currency** on its operations. As far as the enterprise's internal organisation is concerned, the changeover will have an impact on accounting systems and their IT environment. Enterprises with direct cash relations with their customers need to consider the challenges of dealing with two currencies during a certain period around €-day, in particular the logistical and security aspects. They will also need to consider the effect of the currency changeover on their relations with staff and suppliers, customers and competitors.

Once the impact on the enterprise has been estimated, a **strategy needs to be defined**. This involves, for example, decisions on whether the currency changeover should be used as an opportunity to improve the efficiency of the enterprise as a whole and/or to modernise its IT systems, the timing of all necessary adaptations, and the extent to which preparations will rely on external expertise and advice. The many decisions involved in both drawing up and implementing the strategy may have far-reaching consequences for the entire company, in terms of both financial and human resources. It is therefore important that the **euro changeover receives the proper attention of the enterprise's senior management** throughout the process.

Efficient project organisation **requires the appointment of a (senior) person who coordinates the changeover preparations**. In small enterprises the owner or manager of the enterprise him- or herself may fulfil this task. In larger enterprises, a euro project team at a senior level could also be given this role.

It is advisable to use an **action plan with clear task**, to guide the work of the euro coordinator and all those involved in the preparations. It is useful to set deadlines for the completion of the various tasks.

Sufficient **human and financial resources should be set aside** for the implementation of the project. If external service providers are used, it should be

ensured that their services are available when needed. Enterprises should keep in mind that the availability of IT expertise may become more limited as the changeover date gets closer. This brings not only the risk of delays in the necessary adaptations, but also the risk of higher costs, both of which can be avoided by early preparations.

Close monitoring of the progress on the changeover project is essential to ensure that problems and risks in the process are identified at an early stage, thus allowing for adaptations and corrections of the action plan.

1.2. Use of all available sources of information

In preparing for the changeover, SMEs should **use all sources of information** available to them. The main steps of the national changeover are laid down in the **national changeover plan**, which is usually adopted by the government and updated at regular intervals. This plan provides guidance for all sectors of the economy, sets out the envisaged timetable for the changeover and provides information on the relevant legal, tax and accounting rules.

Member States preparing for the adoption of the euro supply a wide range of information material (brochures, leaflets, etc.) and activities (including seminars, conferences, exhibitions, TV and radio spots), as part of their **national communication strategies on the euro**. The European Commission supports such communication activities through partnership agreements which are concluded with the countries concerned. In addition, the Commission conducts on its own account a number of activities linked to the enlargement of the euro area, such as surveys, conferences and seminars for journalists. It also produces brochures, posters, CD-ROMs and promotional material on the euro.

In addition to these public sources of information, SMEs can also turn to information provided by business organisations, trade associations, euro info centres, chambers of trade and commerce, banks, accountants and business advisers etc. Their information ranges from dedicated websites, business checklists, circulars and print publications to specific advice on the needs of individual enterprises. Larger companies may provide their subcontractors with the necessary assistance in order to help them make the changeover to the euro.

2. Adaptations within the enterprise

2.1. Adaptation of accounting and financial management



National rules or recommendations may exist for the **conversion of past transactional data** for the purposes of financial reporting (such as items making up debtors' and creditors' account balances, historic acquisition costs of individual items of the inventory, etc.).

As regards the **preparation of the budget** for the year in which the euro will be introduced, enterprises should establish all their plans directly in euro. The timing and approach to the conversion of historical budget data into euro will also have to be decided.

National law determines the reporting date from which or the reporting period for which **tax returns** and related documents (e.g. concerning company tax, VAT, withholding tax on employees' wages and salaries, employers' social security contributions) as well as **financial statements** must be submitted in euro.

Rules on the **conversion of the company capital** and shares are usually laid down in the national law on the changeover to the euro. In order to ensure a swift adaptation of the company's statutes to the euro, enterprises should identify the possible options provided for by the national legal framework and, where necessary, seek legal advice early on.

For example, **rounding amounts for the capital and capital shares** might be required by national law or be advisable for reasons of transparency. Since the application of the conversion rate and the conversion rules to a company's capital and to the capital shares denominated in the national currency will in most cases lead to un-rounded amounts in euro, there may be a case for increasing (or decreasing) the company's capital in order to achieve round amounts. Another option might be to transform nominal value shares into shares without a nominal value, should the national law provide for this. In any event, the applicable procedural rules must be respected, and this may slowdown the adaptation process. For instance, national law may require an extraordinary general meeting of shareholders to be held for any decision on a capital increase (or decrease).

The **company's statutes and by-laws need to be reviewed**. They may, for example, contain threshold amounts in the national currency (e.g. triggering the involvement of supervisory bodies or committees), which have to be adapted.

New companies which are established in the year before €-day should, where possible under national law, **denominate their capital directly in euro**, in order to avoid the need for conversion.

Shareholders should be informed as soon as possible of any changes in their holdings due to the introduction of the euro (e.g. on the number of shares, their nominal value, the paid-in capital, the profit distribution).

2.2. Adaptation of IT systems

The introduction of the euro **affects all IT systems that operate with currency units**, for example invoicing and billing, payroll, management information and ticketing systems, purchasing software, stock control applications as well as systems processing financial information, such as cash registers and other point-of-sale terminals. Ensuring that such systems are adapted to the new currency in good time can be a time-consuming operation. The more IT applications are concerned, the earlier the preparations should start. SMEs should start by **establishing an inventory of IT systems** which will be affected by the changeover. In addition, any hardware that might need to be upgraded or replaced should be identified (e.g. keyboards, printers, cash registers, vending machines).



One of the strategic decisions that needs to be taken when preparing the adaptation of SMEs' IT systems is whether the euro-related adaptation should become **part of a larger IT project** which would be implemented irrespective of the euro changeover. Such a combination may be appropriate with a view to minimising costs. Alternatively, depending on the impact and the scope of the various IT adaptations involved, as well as on the available resources, it may be advisable to focus on the adaptations which are necessary to ensure euro-compatibility and to postpone other IT projects to a later date.

The necessary adaptations of IT systems with respect to the euro include ensuring that the systems can process two currencies (national currency and euro), cope with the requirements of dual display of prices (see 3.2. below), implement conversions between the national currency and the euro according to the conversion rules and process a large number of decimals. Where an enterprise's IT systems are connected with the systems of business partners, suppliers, etc, continued compatibility after the changeover will need to be ensured.

Depending on their capacity, the existing IT systems can either be modified, upgraded or enhanced, or be replaced by new systems fulfilling all requirements. In general, any **new software** which SMEs acquire during the process of preparing for the changeover should already be **euro-compatible**, thus avoiding the need for later adaptations.

In order to ensure the proper functioning in euro of all IT systems as from €-day, all applications which have been adapted should be **carefully and repeatedly tested** as early as possible to avoid shortcomings and allow for any necessary improvements before they have to be operational.

Before finally converting historical files and datasets into euro, it is advisable to copy them so that they are readily accessible in case of need.

2.3. Cash management



Ensuring a smooth changeover of all cash-related operations is one of the most important steps of the preparations, in particular for enterprises with a high cash turnover in their relations with customers. The retail sector plays a crucial role along with the banking sector in gathering and withdrawing national banknotes and coins in the dual circulation period⁸.

In order to reduce to a minimum the period in which euro cash and national cash are used in parallel and thus speed up the cash changeover, retailers should, as from €-day, **give change exclusively in euro**. In some countries this may even be a requirement under national law. To be able to give change in euro only, enterprises must acquire the necessary volumes of euro banknotes and coins from their banks before €-day in what is known as “sub-frontloading”. This requires retailers to realistically estimate what their cash needs will be in the first days and weeks after the changeover. It should be borne in mind that retailers' **demand for euro cash in this period is estimated to be 3 to 5 times higher** than under “normal” circumstances, since national cash received from customers can no longer be used for giving change and customers will use national cash for payment purposes more than usual so that they can get rid of it without having exchange it for euro in banks. The details of the sub-frontloading operation will be set out in agreements between the SMEs and their banks, which will, inter alia, determine the debiting dates for sub-frontloaded cash and collateral requirements.

The **logistical and security aspects** of being sub-frontloaded with euro cash and, more generally, of dealing with euro cash and national cash at the same time in the weeks before €-day and in the dual circulation period **should not be underestimated**. Careful and timely planning of the necessary measures are essential to ensure the process goes smoothly. For example, enterprises should check the availability of **sufficient storage capacities** for the additional cash amounts. **Transport capacity** for returning national cash received from customers to banks will need to be checked. With more cash stored in the enterprise, it is also advisable to check whether the **insurance cover** is sufficient or requires temporary adaptations.

At the tills, **specific facilities**, such as additional drawers, may be envisaged for **handling and storing euro cash and national cash in parallel**. With a view to reducing the amount of change to be given to customers, they could be encouraged

⁸ The dual circulation period is the period starting on the day on which euro banknotes and coins are put into circulation (€-day) and during which both the national currency and the euro are legal tender in the Member State concerned. The maximum dual circulation period is six months, though Member States may shorten it. Most Member States currently preparing for the introduction of the euro envisage a short dual circulation period of one month at most.

to pay the exact amount whenever possible, and to generally use small denomination banknotes for payment. Larger retailers in particular may wish to offer specific facilities for the exchange of national cash into euro cash, separately from the tills, so that customers can pay directly in euro and possible delays at the tills can be avoided. Another option worth considering is encouraging customers to make more frequent use of electronic means of payment (e.g. credit and debit cards) in the first days after €-day, thus reducing the overall number of cash payments.

Staff dealing with cash in customer relations, in particular cashiers, should be **trained on the appearance and security features of the euro banknotes and coins** well in advance of €-day. The training should include **handling and manipulating euro cash**, with a view to ensuring swift procedures at checkouts and reducing the risk of errors.

Since the changeover to the euro will involve processing euro cash for the first time, which by definition means that cashiers will not yet be fully used to dealing with it, the likelihood of error and susceptibility to fraud will increase around €-day. In order to mitigate those risks, appropriate internal controls should be put in place so that the accurateness of transactions can be checked in particular in the first weeks after €-day.

2.4. Information and training for staff

It is particularly important to raise staff awareness of the euro introduction through **training**. One of the objectives of training courses should be to give an understanding of the consequences and timetable of the changeover. It must be made clear to staff how the changeover will happen and what their role in the process will be. In particular for staff dealing with cash, training sessions with a view to ensuring a better recognition and quicker manipulation of euro coins and banknotes should be envisaged.

Training should be **individually tailored** to the needs of each target group. For example, there should be special training for employees with direct customer contact, for those dealing with cash and for those working in the accounting or IT department. Feedback from employees should be encouraged to help to evaluate the effectiveness of the training.

Additionally, in order to give the staff an understanding of the value of the euro it is strongly recommended to provide **conversion tables, euro converters**, etc.

The importance of **dialogue between management and staff** should also be stressed. Experience from past changeovers shows that, during the first days after the changeover in particular, the risk of mistakes in cash-intensive businesses when giving change in euro was quite high. Therefore, keeping in mind that the changeover might create a very stressful situation for the staff, possible problems

and also ways to deal with them should be identified and discussed within the company in advance. Additionally, procedures should be set up on how to react internally if a mistake occurs as well as on how to handle customer complaints.

It may also be constructive to involve employees or, in case of larger enterprises, representatives of trade unions in the discussion on the impact of the euro introduction on **salaries**. In order to familiarize the staff with the new currency, it is recommended to indicate the amounts on the payslips both in euro and in the national currency, as early as possible after the fixing of the conversion rate. It may well be advisable to explain how the euro figure is arrived at, in particular in situations where the conversion leads to much smaller nominal salaries (e.g. the amount of 1 million ITL corresponds to "only" 516,457€). This is particularly relevant for businesses where wages are still paid in cash.

Furthermore, the issue of **rounding of salaries** should not be forgotten. In order to prevent inaccuracies, it is strongly advisable to round only the final amount instead of the individual items forming part of the salary, such as income tax, contribution to medical insurance, social benefits, etc.

3. Commercial strategy: relations with customers and suppliers

3.1. Informing customers

With the introduction of the euro, customers in the retail sector are likely to feel uncertain and in some cases concerned about potential negative consequences, such as price increases. Confidence-building measures based on concrete information can counteract negative attitudes and increase acceptance of the euro.

For instance, customers could be made aware of the conversion rate by showing examples (e.g. price tables for basic products and leaflets). This is an easy way to show that prices have been converted correctly and to reduce uncertainty.

Business-to-business customers also need to be properly informed. They should know when the company plans to start using the euro (e.g. for orders, invoices etc.). The company should check whether this planning could create problems for its main customers.

3.2. Dual display

Most national euro changeover plans foresee a period of compulsory dual display of prices (in both national currency and euro), and this will therefore be a requirement under national legislation.

Dual display is a key method of familiarising both customers and staff with euro values. It will help them to begin "thinking in euro". This measure might be initially costly and specific equipment will undoubtedly be needed. However, it is a very effective tool to improve relations with customers.

Dual display should be unambiguous, easily identifiable and clearly legible. The full conversion rate should always be used to convert the prices from the former currency to euro. The display should not be overloaded with figures and may be limited to the final price payable by the customer. Dual display can be used on shelf-edge labels, price labels on the product, posters, price lists or on the total shown on receipts.

In order to avoid confusion and possible extra costs, it is extremely important that **dual display of prices starts only once the official conversion rate has been irrevocably fixed**. The conversion rate is set by the Council once a Member State has fulfilled the convergence criteria. Experience in the first-wave countries demonstrated that consumers do not tend to pay much attention to the dual display until the last few weeks and months before the changeover.

For the conversion of national currencies into euro and vice versa, the following rules as laid down in Council Regulation (EC) No. 1103/97 on certain provisions relating to the introduction of the euro will be applicable.

For illustration, a **conversion example** using the Cyprus pound would be as follows. The conversion rate is: € 1 = CYP 0.585274.

In order to convert the initial amount in CYP to euro, it must be divided by the conversion rate. The resulting euro amount has to be rounded to two decimal places, i.e. to cent. Rounding down or rounding up must be done in accordance with common commercial practice.

Example 1

CYP 1.30 divided by the conversion rate = € 2.2211818

The third figure is one, therefore the figure must be rounded down:

CYP 1.30 = € 2.22

Example 2

CYP 1.80 divided by the conversion rate = € 3.0754825



The third figure is five, therefore the figure must be rounded up.

CYP 1.80 = € 3.08.

In order to convert the euro amounts to CYP, the euro amount must be multiplied by the conversion rate. The resulting amount in CYP must be rounded to two decimal places. Rounding down or rounding up must be done in accordance with common commercial practice.

Example 3

€ 18 multiplied by the conversion rate = CYP 10.534932

The third figure is four, therefore the figure must be rounded down.

€ 18 = CYP 10.53

Example 4

€ 11 multiplied by the conversion rate = CYP 6.438014

The third figure is eight, therefore the figure must be rounded up.

€ 11 = CYP 6.44

It should be kept in mind that the full conversion rate € 1 = CYP 0.585274 must be used for all commercial transactions.

- ☑ The conversion rules shall be adopted as one euro expressed in terms of each of the national currencies of the participating Member States. They shall be adopted with six significant figures.
- ☑ The conversion rates shall not be rounded or shortened when making conversions.
- ☑ The conversion rate shall be used for conversions either way between the euro unit and the national currency units. Inverse rates derived from the conversion rates shall not be used.
- ☑ Monetary amounts to be paid or accounted for when a rounding takes place after a conversion into the euro, shall be rounded up or down to the nearest cent. Monetary amounts to be paid or accounted for which are converted into a national currency unit shall be rounded up or down to the nearest sub-unit or in the absence of a sub-unit to the nearest unit, or according to national law or practice to a multiple or fraction of the sub-unit or unit of the national currency unit. If the application of the conversion rate gives a result which is exactly half-way, the sum shall be rounded up.

3.3. Pricing

The introduction of the euro may offer an ideal opportunity to carry out a strategic market analysis. Studying and describing the impact of the changeover on the company will serve as basis for developing and implementing a **changeover strategy**. When designing euro prices the following aspects should be considered: the cost structure, the price sensitivity, the consumer willingness to compare prices, the higher degree of price transparency under the euro and the way competitors fix their prices.

It is very useful to make a list of the most important customers and to contact them well in advance of the changeover. They could be provided with **price lists and catalogues in euro** including a reference to the conversion rules and calculation examples.

The aim should be to ensure that the **impact of the changeover on prices is neutral overall**. In principle, the changeover should not affect the price or value of products. SMEs should be aware that during the changeover period, customers will be highly sensitive to any change in prices. A transparent price conversion strategy is therefore essential in order to avoid misunderstandings.

After converting prices into euro, it may be necessary to slightly modify them in order to make them more acceptable for the market. Conversion may lead to “uneven” prices, for instance €7.32. In such cases, prices will need to be adapted to get a “rounded” price that it is easier to handle (e.g. €7.30).

For **“psychological” prices**, it may be necessary to establish new threshold prices. In this regard, the use of systematic rounding down could be a commercial option which could be used for advertising. For example, a product with a price of FRF 49.00, converted into €7.47, could be rounded to €7.40 (= FRF48.54). If, for financial reasons, this is not possible, another option may be to vary the quantity or the product size. This may be also necessary in the case of very small items such as candies, screws, etc. For instance, 1 ITL corresponds to 0,00 EUR. In order to achieve a tradable price, the number of items per package could be increased.

However, rounding euro amounts may have quite a considerable impact on the company's turnover and this should not be underestimated. For example, if 2.51 EUR is rounded down to 2.5 EUR, this means a difference of 0.4 %. The impact of this on individual items may be negligible but if a SME follows a consistent rounding-down policy, the result will significantly affect its turnover.

The consequences of rounding the euro amounts on relations with competitors should also not be neglected. For instance, if the price of company A's product is 200 ITL per unit and the price for a similar product from company B is 201 ITL per unit, both prices will be the same in euro: 0.10 EUR when rounded to the nearest cent. Company A would thus lose the competitive advantage it had before.

In some countries, **fair pricing initiatives** have been or are being implemented, after a thorough consultation process led by the national euro changeover committee involving government, consumer representations and retail business sectors. The initiatives are based on a voluntary commitment by business organisations to undertake a fair pricing strategy and to take up and communicate best practices in preparation for the euro changeover. Businesses which sign up to the initiatives commit themselves to apply the correct dual display of prices and not to increase prices of goods and services "for the reason that a monetary changeover is taking place".

These initiatives have turned out to be very useful, helping preserve consumers' confidence in stable prices. They also have a potential value as a commercial selling point for businesses as well. Participation in such initiatives is strongly recommended.

3.4. Relations with suppliers

It is advisable to ask existing suppliers well in advance to send their price lists and invoices in euro.

SMEs should be aware that the introduction of the euro could be an opportunity to obtain more favourable terms of supply. For instance, if prices are the decisive factor in choosing a supplier, the greater price transparency and elimination of exchange rate risks that come with the euro will be a chance to find new and cheaper alternatives.

3.5. Contracts

The **principle of contract continuity**, which means that existing contracts with amounts in the national currency remain valid, applies to all existing contracts. In these contracts, monetary values will be converted into euro using the officially fixed conversion rates.

However, it is worth checking all the legal documentation of the company (employment contracts, rent and credit agreements, insurance policies etc.) in order to verify whether modifications are needed. In case of doubt, SMEs should ask for legal advice.

In new contracts with recurring payments and terms going beyond the changeover date, values should be fixed directly in euro to avoid uneven prices resulting from later conversions.

For contracts concluded with partners located outside the euro area, it might be useful to introduce a euro clause, stating that, if the term of the contract continues after the official date of the euro introduction, it will be agreed that the euro will be the binding currency unit.

Such a clause could, for instance, read as follows: "The parties agree that all payment obligations foreseen by the contract are assumed to be stipulated in euro, as soon as the euro becomes the sole legal tender. The conversion will be based on the officially fixed conversion rate."

4. Checklist⁹

4.1. Planning of the changeover preparations

- Is the business aware of the changeover date?
- Has the impact of the euro on the functioning and the activities of the business been established?
- Has a changeover strategy been drawn up?
- Has an action plan on how to deal with the changeover been prepared, including clear task assignments?
- How will the changeover be managed (lead times, sufficient human and financial resources, coordination with other functions within the company)?
- Has a coordinator of the changeover preparations within the company been appointed?
- Is efficient monitoring planned in order to identify problems and risks?
- Has available information provided by the government, trade associations, euro info centres, chambers of trade and commerce, banks, accountants, business advisers etc. been gathered?

⁹ The compilation of the checklist benefited from the discussions with representatives of SME associations and stakeholders, and from expert input of SAP AG Germany as regards the adaptation of IT systems.

4.2. Adaptations within the company (accounting, IT, cash management, training for staff)

Accounting and financial management

- Has the conversion of past transactional data been prepared?
- Has the budget for the year in which the euro will be introduced been drawn up in euro?
- Has it been checked from which date or for which period tax returns and related documents (e.g. concerning company tax, VAT, withholding tax on employees' wages and salaries) as well as financial statements must be submitted in euro?
- Has the conversion and, where necessary, an increase or decrease of the company capital been prepared?
- Have the company's statutes and by-laws been reviewed?
- Have shareholders been informed about any changes in their holdings?

IT systems

- Has an inventory of all IT systems used by the enterprise been established (e.g. invoicing and billing, payroll, management information, ticketing systems, stock management)?
- Have all IT systems affected by the changeover been identified?
- Has information from the providers of IT systems been collected on whether the systems meet the requirements for the euro changeover (e.g. capability of dealing with two or more currencies, dual currency display in the dual circulation period, support for changing forms and reports, correct application of the conversion and rounding rules, documentation of historical data in the national currency)?
- Has the IT hardware that needs to be upgraded or replaced been identified (e.g. server, notebooks, keyboards, printers, cash registers, vending machines, card readers)?
- Have the necessary external resources for the IT adaptation been determined and booked in good time?
- Has the timely availability of IT upgrades or replacements been checked?
- Have interfaces that connect different IT systems within the business as well as systems connected with those of partners, suppliers etc. been identified?
- Which systems must - from a business and/or technical perspective - be changed over at which point in time (e.g. need for a synchronised change of certain systems)?
- Has the adaptation of the IT systems, either in-house or by external contractors, been prepared and implemented?
- Have the need for testing of IT systems and hardware and the timing of the testing been determined?
- What are the implications for electronic means of payment?

Cash management

- Has the demand for euro cash in the first weeks after the changeover been assessed and has the bank been contacted for the supply of euro cash before €-day (sub-frontloading)?
- Have euro starter kits been ordered?
- Are there sufficient capacities for storing euro and national cash in parallel?
- Have the related logistical and security aspects sufficiently been dealt with (security, insurance, etc.)?
- Are specific measures for handling both euro cash and national cash at checkouts envisaged?
- Are training measures foreseen as regards the appearance and security of euro banknotes and coins? Are training measures for handling and manipulating euro cash envisaged?

Training for staff

- Have different training measures been planned and budgeted (e.g. staff with direct customer contact, dealing with cash, working in the IT unit, etc.)?
- Have employees been provided with conversion tables, converters, etc.?
- Have employees been informed about the consequences for salaries (policy on rounding, etc.)?
- Is it planned to designate a contact point whom employees can ask for information?

4.3. Relations with customers and suppliers*Customers*

- Have customers, including business customers, been contacted and informed?
- When will dual display start and how will it be carried out (price labels on products, on price lists, on receipts, VAT tickets, etc.)?
- Has a strategy for establishing prices in euro been developed (conversion, rounding, dealing with "uneven prices", "psychological prices", etc.)?
- Will transparency and traceability in price modifications be ensured (notably in case of smoothed prices and mixed calculations)?
- Should the company take part in a fair pricing initiative?
- Will a competitive re-positioning be needed as a result of the introduction of the euro ?
- Will the euro create opportunities to prospect new markets?
- Will the euro create opportunities to develop new sales methods (e-commerce, mail ordering, etc.)?

Suppliers

- Have suppliers been contacted and been asked for price lists in euro?
- Has the possibility of using the changeover as an opportunity to review existing relations with suppliers been considered?

4.4. Contracts

- Have all existing contracts been checked (employment contracts, lease contracts, contracts with business partners outside the euro area, contracts with banks and other enterprises)?
- Is the company considering provisions for monetary amounts in euro for new contracts with recurring payments and terms going beyond the changeover date?
- Is external legal assistance considered necessary?

Further information at:

The euro

www.ec.europa.eu/euro

The European Commission, Directorate-General for Economic and Financial Affairs

www.ec.europa.eu/economy_finance

The European portal for small and medium-sized enterprises

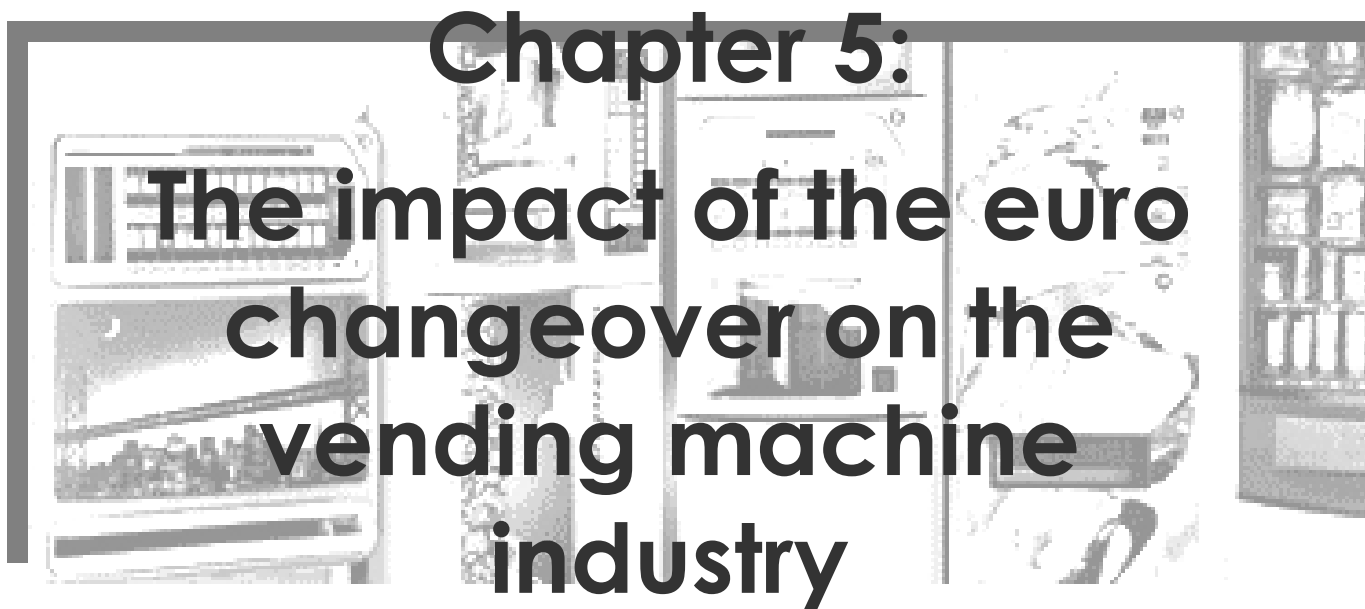
www.ec.europa.eu/enterprise/sme

The European Commission's network of Euro Info Centres in the European Union

www.ec.europa.eu/enterprise/networks/eic/eic.html

The European Central Bank

www.ecb.europa.eu



Chapter 5:

The impact of the euro changeover on the vending machine industry



This article presents the experiences of the vending machine industry¹⁰ with the euro introduction in the first-wave countries and gives guidance as well as recommendations for future changeovers.

1. The changeover in the first wave countries

The changeover to the euro was the biggest challenge the vending machine industry has ever faced. 12 countries and 16 national mints were involved and about 3.5 million vending machines and 6 million other unattended points of sale¹¹ had to be converted. Although operators of vending machines were already familiar with the work needed whenever new coins were launched, the impact of moving to a completely new currency and replacing the entire coin set was quite radical. The conversion of the machines was very complex because each machine had to go through a complete diagnosis and detailed adoption plan. Additionally, all prices had to be re-entered into the vending machines in euro.

This challenge required close co-operation between the various stakeholders, on the one hand the vending industry representatives and, on the other hand, the decision-making bodies, notably the European Commission, the European Central Bank and the Mint Directors Working Group.

The most important issues at stake can be summarised under three headings:

- the new coinage: denominations, materials, shapes, tightness of specifications, electrical and magnetic properties, production tolerances, quality control, sample availability, distribution of coins in advance of the changeover (frontloading), coin quality consistency, monitoring of coin characteristics over time and throughout the euro area, prevention of fraud and counterfeiting, etc.
- the new bank notes: the issues were broadly similar to those faced with coins but in this case, the responsible contact point was the European Central Bank.
- practical aspects of the changeover: setting out the scenario, finding practical solutions to help the vending industry prepare for the euro, raising awareness of the vending industry's concerns, etc.

¹⁰ This article is notably based on the information provided by the European Vending Association (EVA). The EVA was set up in 1994 and has 67 members, of which 18 National Associations (representing 10,000 businesses and 90% of vending in Europe) and 49 individual companies. It represents equipment manufacturers (manufacturers of vending machines, payment systems and cash handling equipment producers), ingredient suppliers (coffee roasters, producers of food products, of drinks, of cups and disposables) as well as operators (companies placing, filling and maintaining vending machines). To contact the EVA visit www.vending-europe.eu

¹¹ Unattended points of sale are, for instance, ticketing machines, payphones, etc.

2. Key issues for preparation for vending machine operators

For vending machine operators the same conditions as regards business preparations for the changeover in general apply (see chapter XX). In addition to these general requirements, the vending machine industry has particular needs for preparations which stem from the specific nature of vending machines. Based on the experiences of vending machine operators in the first-wave countries, advice for future changeovers will be given in this section.

2.1. General changeover issues in vending

The change of currency means that new coin values and denominations will not correspond with the former national currency unit which had been used. For this reason, new prices will have to be fixed and new change-giving values will have to be defined.

According to past experiences, a neutral conversion of prices to the euro turned out to be very difficult, bearing in mind that most vending machines cannot hold more than 4-5 different coin denominations to be used for change. For this reason, it is strongly recommended to announce new prices in euro well in advance, however not before the fixing of the conversion rate, in order to preserve the consumer's confidence (e.g. by stickers on the machines).

Furthermore, it is suggested not to use coins lower than 5 euro cents and to change prices on that basis. The 5 euro cent coin should be the 'lowest value vending coin.'

This recommendation is based on the following factors; i) the fact that most vending machines cannot hold more than 4-5 different coin denominations to be used for change. If the 1 and 2 cents are used then this reduces the options to allow other denominations to be paid back as change. This may cause problems and reduced sales if the change runs out because higher value coins are not available, etc. ii) in some vending machines the small size and weight of the 1 and 2 cent may cause problems by getting stuck in the internal chutes, etc. This can then block coin entry to the machine and necessitate a service call. iii) The handling costs are relatively high for small-value coins.

As regards the length of the dual circulation period, it is expected to be short; in some countries only 2 weeks will be foreseen. This should be taken into account when preparing for the changeover. Without careful planning it could happen that operators may not have sufficient technical resource to convert all machines in time.

During the past changeovers, some vending machine operators decided to accept 2 currencies in parallel (euro, national currency) during the period of dual circulation. This happened especially in the public or semi-public vending sector (train and metro stations).

However, this increased the number of staff visits that needed to be paid to the machine as well as the number of staff needed to carry out the changes. There were also obvious negative consequences for cash handling (counting, sorting and transporting). Therefore, it is recommended to avoid the acceptance of 2 currencies in parallel.

For deciding when to switch the machines, it is very important to have a good estimate of the 'turning point', i.e. the point on which the customers have more euro cash than national currency in their pockets. According to past changeover experiences, this should be the case on the third or fourth day after the changeover.

2.2. Impact of the changeover on equipment

As regards the impact on vending machines, the following elements should be checked: machine software (decimal point, scaling factors, coin set data), machine display, machine labels (information and price label), coin entry, machine audit (devices, management information system, audit to be performed before conversion).

Moreover, the impact on other equipment such as sorting equipment, size identification and connection to management information system should also be checked.

An adaptation of the data collection equipment may be required as well. This electronic device withdraws the range of data available from the machine and thus provides valuable information, e.g. how many products have been sold, how many coins have been inserted in the machine, how many coins have been accepted, how many coins have been given back as change, etc.

As regards computer systems, most tailor-made software (e. g for accountancy and other purposes) already include the capability of euro conversion but the conversion rate will still need to be entered. Furthermore, a careful check with the relevant computer dealer on the convertibility of software is recommended.

Moreover, the practical implications of the changeover on payment systems (Proprietary Schemes¹², Electronic Purse Schemes) is very important and requires meticulous planning and the provision of significant additional resources, both financial and human.

¹² Proprietary schemes are closed payment systems which only work within a certain environment (e.g. the provision of special means of payment for the staff of a company).

There are currently several different generations of coin mechanisms being used by the vending machine industry. The detailed upgrade route will depend on the age of the machine and on its manufacturer. In order to prepare effectively for the changeover, the number of each type of unit should be ascertained. In general terms, coin mechanisms fall into four categories:

- old mechanical units, which probably cannot be upgraded
- early electronic coin mechanisms that will need significant upgrading at a service centre.
- coin mechanisms that can be upgraded at the vending machine using tools provided by the manufacturer.
- coin mechanisms that have both national and euro coins programmed and can be upgraded relatively easily.

If the coin mechanism can be upgraded to accept the new coins, or new units could be purchased, then there are two key issues to be considered carefully; i) the total cost of the change over and ii) the performance of the coin mechanism in accepting valid euro coins and rejecting fraud coins (counterfeit or foreign coins). This is often referred to as the 'security' of the coin mechanism.

The design of the 1 and 2 euro coins is technically very advanced and recent coin mechanisms have been designed to utilise this to have a high security and hence rejection of fraud coins. Although the coins are made to high standards the physical properties of the circulation coins do vary due to the number of different countries and mints producing them, minting tolerances and some deterioration whilst in circulation. Older coin mechanisms, which may be upgraded to recognise the new coins, may not actually be able to detect the technically advanced features of the 1 and 2 Euro coins and also be more affected by the variability of the coins.

The number of fraud coins (counterfeit and foreign coins) is increasing and the ability of an older, upgraded, coin mechanism to reject these frauds should be very carefully considered.

It is strongly recommended that a complete inventory be drawn up of the types of coin mechanisms used in the field and of the type of vending machine in which each mechanism is installed. This would be a very useful tool for deciding on the strategy for each category of coin mechanism and on the planning of the logistics of the changeover operation.

2.3. Impact on planning and staff

In the first-wave countries, careful and comprehensive planning turned out to be of crucial importance. Efficient planning includes employers, technicians, route fillers, sales personnel, external service suppliers, etc. It is recommended that detailed checklists be produced for all those involved.

In general, the need for staffing should be carefully evaluated, taking into account the number of machines, the time needed for each machine, the time needed to travel between the various sites, etc.

2.4. General steps for upgrading vending machines

The steps involved in upgrading vending machines are listed below (they assume that the coin mechanism used will give change).

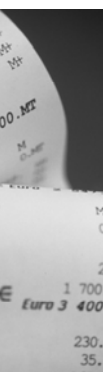
However, some steps could be added depending on which option will be needed, e.g. fitting a new coin mechanism, upgrading the current coin mechanism, etc.

- Locate vending machine and keys
- Initiate technician work record/timesheet
- Check if the coin mechanism/vending machine interface is operating correctly
- Clean and test the coin mechanism
- Obtain and make note of audit data from coin mechanism and/or vending machine as required
- Insert euro change tubes (or fit ready-filled cassette)
- Fill change tubes with float of euro coins
- Reprogramme price-sensitive settings e.g. token values/free-vend values
- Change price settings on vending machine controller (VMC) (or on coin mechanism if price-holding mode is used)
- Fit new price labels and coin insert labels/instructions
- Test coin mechanism operation with euro cash
- Test coin mechanism communication with vending machine
- Remove legacy coins from vending machine cashbox and note data as required
- Complete technician work record/timesheet/sign off job

Depending on the option chosen, the national currency will have to be collected from the change tubes and/or from the cashbox. Moreover, the level of reprogramming and the method will vary. This must be taken into account in the timing assumptions.

2.5. Time estimate for conversion of the machines

Vending machine operators will have to forecast the time it would take to convert their fleet of vending machines. This will depend on the number of machines, the age and type of coin mechanisms used and the size and geographical location of sites.



However, based on research carried out with operators and coin mechanism manufacturers it is estimated that it would take on average 2 hours per machine including management time and technician time.

Management time will be needed to liaise with the coin mechanism and vending machine manufacturers on specific technical issues, to plan the entire conversion exercise, to negotiate costs and conversion dates with customers, to purchase new equipment, to brief and train technicians or subcontractors and to supervise the conversion programme.

It is estimated that operators should allow an average of $\frac{1}{2}$ hour per machine for management.

Technician time will be needed to travel to and from the site, to locate the machines, to convert the coin mechanisms, to convert the machines and to complete reports.

It is estimated that operators should allow an average of $1\frac{1}{2}$ hours per machine technician time.

In total, this produces a guideline time requirement of 2 hours per machine¹³.

¹³ For example, an operator with 500 machines will need to allow 250 hours management time and 750 hours (19 man weeks) technician time. To complete the conversion in 6 weeks will occupy at least 3 technicians full-time.

3. Recommendations

In conclusion, the following steps are recommended for a successful changeover:

- Vending machine operators should start preparing whatever can be done well in advance
- Vending machines and the payment systems field base should be carefully listed and located
- The field base should be analysed (which machines will be retained in service after the changeover, what has to be done with each machine, which coin validators can be upgraded. The issue of counterfeits and foreign coins should be carefully considered and the fact that older machines might not be suitable to accept 1 and 2 euro coins
- A detailed plan for staff, investments, purchases based on the analysis of the field base should be prepared (it should be borne in mind that each vending machine will need to be modified at least once during the changeover and in most cases twice or three times; a total working time of 2 hours per vending machine should be foreseen)
- The software of the vending machine control board for the changeover should be prepared
- The selling prices should be fixed in euro early on and be displayed on the vending machine well in advance (while bearing in mind most vending machines cannot hold more than 4-5 different coin denominations for change)
- The need to buy services from outside the company should be determined
- Euro coins should be requested from banks for front loading of the change tubes
- Vending machine operators should train their staff on the euro.

Annex: Checklist for vending machine operators

Before €-Day

- perform a diagnosis of machines and coin mechanisms/bank note validators: (how many are euro-ready, euro-programmable and euro-incapable)
- perform a diagnosis of machines which will have to be replaced as they are no longer compatible with the new coin mechanisms (this is especially true for mechanical machines selling bottles and cans)
- coin chutes and cash boxes might require some adaptation, as a much greater number of denominations will be used than is currently the case in most countries
- upgrade the machine software
- fit new / re-programmed coin mechanism in each machine

On €-Day and shortly afterwards

- visit each machine
- audit the machine
- switch it to the euro (1 1/2 hours on average) and disable acceptance of national currency;
- adapt the machine software: introduce new euro prices, enable the acceptance of those euro coins the coin mechanism will accept
- change product labels
- change consumer information label (e.g. which euro coins will be accepted)
- clean machine including the coin mechanism
- reset machine
- test machine

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a short handbook**

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