

Annex B: Consultation Responses

Director of Resources

I would have thought that in the era of debit and credit cards that the acceptance of Euros (I assume you are referring to notes and coins) for purchasing goods will have a minimal impact on local businesses.

There are very few city centre traders that do not accept cards for all value of transactions. Cards that are non-UK registered (those used by tourists) assuming they are visa or link cards etc will pay in sterling to the trader but charge the user in the domicile currency plus the usual exchange fee. Personally when I go abroad now I don't take much foreign cash, as most places will accept cards, even bank cards to withdraw euros.

Therefore the only benefit I could foresee would be for one or two traders that do not accept cards for all values.

In terms of CYC accepting euros I would be strongly against it from an efficiency point of view as we are trying to move away from handling notes and coins in Sterling as this is expensive in terms of cashiers time, banking charges for handling coins and security of storing and transporting, therefore the same argument would apply to accepting Euros.

It is also a fact that there are places in the city centre that allow currency to be exchanged

Personally I cannot see what merit there is in such a review, unless I am missing something.

Councillor Stephen Galloway

The Council has no powers in this regard. It is up to local businesses to decide whether to accept Euros. Many already do.

Councillor Richard Moore

I believe it is now illegal to refuse to accept Euros for payment. However, there is no set exchange rate, and retailers can set whatever they like.

Assistant Director of Economic Development

I think everything people have said is spot on - there are credit/debit cards nowadays and easy sources of currency exchange in the city and I cannot see retailers missing out because a visitor is out of small change. We cannot force retailers to accept euros - I do not think Richard is correct when he says it is illegal for retailers to refuse to accept Euros.

Here is the earlier reply a Business Analyst in City Strategy sent to Cllr. Alexander - I think we could go through the considerable work involved in a scrutiny, which in the end would result in the status quo.

"Thank you for your enquiry re. the acceptance of Euros in York shops and businesses. As far as I am aware, no analysis has been done in this respect -

possibly largely since the debate over whether the UK should, or should not, join the Euro has been less at the forefront of political debate of late.

There are, of course, a number of York businesses and shops who will accept Euros - and US Dollars too - but this is of course very much a matter of personal choice and whether they regard it as being to their advantage or not. You might imagine, a shop for example, might make more sales if they were to accept payment in Euros - however, while this might possibly be the case, the business has then to maintain a Euro account (some High Street banks will do this) but opens itself to exchange rate risk in having to consider how the exchange rate is moving since it purchased the goods - more probably in pounds sterling.

If you had retail shops in mind when you posed the question, currently visitors to the city are enjoying a more favourable exchange rate to the Pound when they come here which would be removed were they to buy goods and services in Euros. Also visitors will be expecting to buy in Pounds Sterling and will have either cash for small items (bought at the above favourable rate) or they will use their credit/debit cards, which will debit their accounts in Euros at the current exchange rate.

I think the credit card probably negates the question for the retailer - once the shopper returns to their own country in the Eurozone their purchases have already been converted and to buy in Euros would currently make the UK more expensive than it would be in pounds for say a French visitor (compared to goods bought in France) - as the Euro has risen in recent months generally. I would not imagine a small business would wish to add the cost and expose themselves to the risk of maintaining a Euro account.

For larger businesses, the question will hinge on the amount of business transacted in the Eurozone - the drawbacks apply as for a small business, but there will be more expertise available to manage the level of foreign currency balances held so as to maximise possible benefits whilst minimising risk. The risk for any business is the rate of exchange - and how that will rise and fall in line with economic conditions in both the UK and Eurozone as well as activity on the currency markets and monetary policy decisions by both the Bank of England and European Central Bank. I'd imagine the small business would not think it worth the effort but a large business may do - based on who their suppliers and customers are.

Hope this helps - not a straightforward topic really! If I were asked to advise a business on this one - I'd make sure they received good advice from their accountant. For example, if they were holding Euros and the ECB suddenly cut rates (perhaps after lower inflation results), they might well see the value of those euros tumble overnight with respect to their home currency. Big firms (such as Nestle) have teams working in futures markets in key raw materials such as cocoa to minimise this sort of risk - and international firms will do the same for currencies."

Chair of the Economic Development Partnership

I consider it should only be considered in the context of tourism, which Visit York has in hand. Businesses that deal in euros will establish a euro account. Credit or debit cards give options for local or currency of origin. Your question is directed at cash dealings.

Response from the Chamber is:

"To assess the benefits I think we need to talk to other authorities where retailers accept Euros and how much difference it has made. Some shops of course already do accept Euros, such as W H Smith. If there is one in York it might be worth speaking to them. On the banking issue, as far as I know the majors are running Euro accounts at the same price as Sterling accounts. The economics will clearly depend upon the volume of traffic. If any retailer is selling on the web, then I would think offering prices in Euros would be an advantage, especially those shops that sell York related products. It is worth shopping round though as some banks will levy charges for each movement, some give interest but charge other fees and so on. If the shops do not plan to hold large amounts and do not plan to spend Euros, then clearly a non-interest account with lower/no fees would be better. I would think that a Chamber enquiry to the banks could possibly bring better results than an individual one.

The main issues are of course fluctuations in the exchange rate and costs of converting. It would not be too difficult to keep abreast of rates published by banks, post office etc to provide a competitive rate for tourists, and as we know, those rates are not very good! The money could then be placed into a Euro account and converted at a much better spot rate. If it were done weekly or even monthly then there would only be one charge for the whole transaction. The differences between the two rates should easily cover many of the costs of the accounts. Looking at a number of sites on the web the differences between such places as the Post Office, Bank counters etc and using one of the organisations such as 4X can be as much as 5 - 8%. Of course with 4X there is no charge, just a small difference between the rates."

Dave Martin, Visit York Director

The objective is to:

1. Increase turnover for participating retailers
2. To promote York as a Euro friendly zone as a part of a wider strategy to make it a more visitor friendly zone

Of the two, most benefit will be gained by the second if it is used as a means of free publicity for the city.

There has been historically some resistance to accepting Euros on the grounds that there are issues regarding administration, exchange rates and re-conversion of currency. These are issues, which can and are being addressed and given the current state of the economy, the argument that it's too much hassle is no longer such as strong one.

I have already started conducting some research along Gillygate with around a dozen retailers, and have had a very positive response to my arguments for adopting the policy. I continue this research and start to piece together the mechanics of operating the scheme so that it would be as uniform as possible throughout the participating establishments.

Crucial to the success is the promotion of the scheme through not only the media, but also promotional material provided to overseas tour operators and visitors. It will need to achieve a 'critical mass' of a certain size in order for it to be self-sustaining and marketable. This would involve in excess of one hundred participants and an instantly recognisable badge or sticker in order for the participants to be identified from the street.

There will have to be some co-ordination of exchange rate to be used so that no-one is seen to be out of line, and potentially this could be done through publishing a city exchange rate on the Visit York website or Council website. This could be updated every week and would be set in such a way as to be fair but also slightly beneficial to the retailer, as well as being a simple figure for calculation purposes. In the fullness of time if there are sufficient participants, there could be a mini economy within the city using Euros between participating outlets. e.g. a souvenir shop might use its excess Euros to go for a coffee. Likewise excess Euros could be used by some businesses to take on holiday and excess holiday cash could be used as spending money in the city. This could apply non-participants also.

At this stage I cannot see any necessity for council involvement until at least another month of research is done. However, I would not like to close the door to the possibility, particularly if the scheme becomes extensive.