



BANK OF ENGLAND

News release

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Sale of Bank of England Banknote Printing Operations

The Court of Directors of the Bank of England has decided to contract out the Bank's printing operations at Debden, Essex, to a commercial company. That will enable the Bank to lower the costs of the supply of banknotes, while for staff it opens up the possibility of bringing in more work to Debden. After exploratory discussions with a number of companies the Bank has selected De La Rue plc. There is to be further consultation with unions and staff, but detailed negotiations will now take place with De La Rue, and definitive contracts are expected to be signed in the spring of 2003, subject to any regulatory approvals which may be required by the UK competition authorities.

Notes to Editors

1. As announced in February 2002, the Bank has been undertaking a review of the future of its banknote printing operations, in consultation with unions and staff. The review considered three options for bank note printing at Debden. These were:

Option A: keeping the printing operations within the Bank, printing notes almost exclusively for the Bank itself.

Option B: selling the banknote printing operations to a commercial firm, with a supply contract to cover the Bank's requirements for notes. The Printing Works as a whole remains in Bank ownership as a secure site for note distribution and other purposes, and the private contractor would operate within the site.

Option C: attempting to secure significantly more commercial business for the printing operations while retaining Bank ownership and control.

2. The Bank has three objectives for the printing operations, as set out when the review was announced in February 2002.

First, to ensure high quality and security of supply; any supplier of notes should have a strong proven track record in the banknote printing industry, be financially secure, and have adequate contingency arrangements.

Second, to protect the interests of staff and of employment at the Debden site; the Bank expects its notes to be sourced in future from Debden, and the rights and expectations of existing staff to be honoured.

Third, although the Bank is itself one of the lowest cost producers in the world, it expects that use by a commercial printer of the unused capacity at Debden will help reduce the overall cost of notes.

3. Ahead of a decision on which option to choose, a number of firms were invited to tender for the business, and several short-listed bids were considered by Court. These results were compared with costed proposals for the maintenance of the present arrangements. After careful consideration, Court rejected the option of the Bank building up a commercial business of its own - (Option C) - because at a time of over-capacity in the banknote printing market the presence of a publicly-funded competitor would be hard to justify. Court then decided that Option B better fulfilled the objectives for the printing operations than retaining ownership under Option A. The price will be based on the net asset value of the banknote printing operations, but the main benefit will be in significant savings in the cost of notes over the period of the contract.

4. The proposed 7-year contract with De La Rue for printing banknotes contains provisions for future changes of specification of the notes, which would cover any need to produce euro notes should the UK at any time within that period enter the eurozone.