Testimony of Mr. John Blake
Executive Vice President of Engineering
Cummins Allison Corporation
Mt. Prospect, Illinois

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Subcommittee on Domestic Monetary Policy and Technology

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Mr. Chairman and Members of the Subcommittee, thank you for giving me the opportunity to speak with you today. My name is John Blake and I am Executive Vice President of Engineering for Cummins Allison, which is a privately held corporation headquartered near Chicago in Mt. Prospect, Illinois.

Cummins Allison is a global leader in developing solutions that quickly and accurately count, sort and authenticate currency, checks, and coins. With a 125 year heritage of leadership in technology and product innovation, Cummins Allison serves the majority of financial institutions in the United States and worldwide, as well as, retail, gaming, law enforcement, and government. Our products are sold and serviced by an extensive network of more than 50 branch offices located in the major US cities. We also have wholly owned subsidiaries in Canada, France, Germany, Ireland, and the United Kingdom. In addition, we have a worldwide dealer network which sells and services our products in more than 70 countries. All Cummins Allison products are designed, developed and manufactured here in the United States. Cummins Allison has a portfolio of more than 350 patents which are utilized to protect our intellectual property and support our research and development investments. A strong US patent system is critical to our business model and our ability to continue to manufacture our products here in the United States.

The commercial coin counting, sorting, and authentication products developed and manufactured by Cummins Allison are available in a variety of sizes and formats to accommodate the varied needs of our diverse customer base. For example, our smaller machines provide coin counting and sorting in retail operations such as McDonalds, Home Depot, and Safeway. Our larger machines, which process at a rate upwards of 10,000 coins per minute, provide the major US banks, armored carriers, the gaming industry, governments, and others with exceptional dependability and accuracy for high volume coin processing. We also have a complete line of self-service machines, for public use, in some retail and banking locations. These machines enable the public to count the coins they have accumulated or collected at home.

One of the most critical features of our equipment is the ability to not only count and sort coins at a high rate of speed, but to also authenticate and identify counterfeits while doing so. Cummins Allison has a sensor research and development division near San Diego which provides state of the art coin and currency sensor technology for our equipment. When

incorporated into our machinery, these sensors enable our customers to identify, reject, and cull coins that are illegal or foreign.

Cummins Allison supports Congressional efforts to identify new government cost saving efficiencies, including methods for reducing production, manufacturing, and circulation costs associated with coin or paper currency. Being an intellectual property intensive engineering and manufacturing company, we understand the challenges associated with an effort to reduce cost while providing innovative solutions, maintaining features and quality. Often this is not an easy endeavor.

Over a period of many years, Cummins Allison has been through a variety of coin changes initiated by a number of countries. From our perspective, some changes have gone well and others have not. I would like to offer the following points:

- First, material changes to the US coin set is nothing new. For example, the US penny has been through a number of changes since inception. Most of these changes involved alterations to the metallurgical content only; the diameter and thickness was maintained. While all stakeholders were impacted by these changes, the implementation and transition was smooth, seamless, and of little impact.

- Second, other countries have made changes to their coins. For example, last week the Canadian Central Bank announced changes to the Canadian $1 and $2 coins. The changes were to the material and appearance only, not size, and the implementation has been smooth. One significant reason for this is the Mint consulted very closely with industry and other stakeholders, early on, to ensure their decisions were as compatible as possible.

  Machinery manufactured by Cummins Allison can accommodate and process coins which contain varied metallurgical properties. It is much more difficult and expensive, however, to alter or retrofit machinery that will accommodate new or changed coins which have a different diameter or thickness. Changes to diameter or thickness may require significant, expensive changes to our equipment, or the outright replacement of equipment. For example, a few years ago Mexico made changes to a number of their coins. In one instance they introduced a new coin that was the same size of one of their existing coins of a different value. Cummins Allison equipment, and that of our competitors, could not accurately count and sort these coins when they were introduced.

- Third, coin metallurgical content changes can impact how well a machine functions or the life of the coin. Not too long ago, this consideration was neglected in Japan. A very soft, all aluminum coinage was introduced creating expensive equipment and coin durability problems. In short, metallurgical content of coins can impact a coin's durability. While coin manufacturing cost savings can occur with use of less expensive metals and methods, these savings will not be fully realized if the coins are not durable, or they cause equipment to fail, or deteriorate prematurely.

Also, coins manufactured from more common metals are easier to counterfeit than those containing less common metals or a unique combination of materials. While counterfeiting may not be as much of a threat with the modification of lower value coins, Cummins Allison and the general public as a whole very much care about every penny. The penny, like the larger denomination coins, should be nearly free from the threat of counterfeiting.

In addition, in order to provide a high level of security, the metallurgical content of any new coin must be unique to every other coin in the world. For example, the United Kingdom is experiencing a relatively high degree of one pound coin counterfeiting. The metallurgical properties of the pound coin are nearly identical to coins from other countries that are significantly less in value. The health and integrity of America's currency is extremely important to everyone.

Cummins Allison is not opposed to the co-circulation of coins, like the penny, of the same value but of different weights. Our equipment can manage most of these differences. However, some coin processing stakeholders use scales and weigh coins as a method of valuating large volumes. Coin content changes which alter the weight of coins would make this method of coin counting and bulk valuation difficult or impossible if different coins, of the same value and physical appearance, are co-circulated.

- Finally, it is critical to note that **any** alteration to coin design, content, or size can impact the ability of our machinery to process high volumes of coins both quickly and accurately. If coin design or material content changes are orchestrated hurriedly or without regard for our equipment and other stakeholders, the currently reliable US coin circulation infrastructure could be adversely impacted or fail altogether. To alter the size, design, or content of a coin without comprehensive consultation and coordination with our industry and others, could be disastrous for the American economy. In fact, a poorly conceived or implemented change could impact the worldwide integrity and value of American currency, disrupt public confidence and commerce, and cost the American government many, many times more than what might be saved as a result of the initial cost saving alteration.

  When introducing a new or altered coin, the transition must be nearly seamless for the coin circulation system and the public. While stakeholder input is essential for this to occur, stakeholder input will not help the process avoid critical issues if too little is requested too late. All stakeholders (banking, vending, armored carriers, retail, currency processors, government agencies and others that process and handle large volumes of coin and currency) must collectively work to fully raise and address issues that are vital to each and every component of the coin circulation system. Recently, Canada introduced new coins into circulation with ease and strong public acceptance. They were able to succeed and achieve public buy-in because they fully communicated with and listened to all stakeholders early and often during the process… from conception through circulation.

For Cummins Allison, the ability to test and report on new material technologies or options, well prior to decision making, is very important. We would prefer to establish and maintain a strong partnership with Congress, the Treasury Department, and the United States Mint with the hope that all will benefit from the exchange of technical and marketplace expertise. Over the past several years, Cummins Allison has been working very closely with a number of Central Banks and Mints throughout the world to provide expertise and feedback in the development of new coins and banknotes.

If a decision is made to introduce a new coin, we strongly encourage the development of a government – industry/stakeholder task force, very early in the process, to generate a seamless transition. That would allow all stakeholders to carefully review options and alternatives from conception through circulation. This task force would help to assure that all technical, scientific, commercial and public issues are thoroughly addressed early on and at every stage of the process.

We would also like to suggest that legislation contain a provision requiring all new or changed coins to have a significant level of counterfeiting deterrence technology. All American coin, regardless of value, should not be susceptible to counterfeiting or be too similar to another world coin.

Conclusion

Mr. Chairman and Members of the Subcommittee, thank you again for the opportunity to appear here today and provide you with our testimony. Cummins Allison appreciates and supports your efforts, and that of the United States Mint, to reduce the cost of American coin production and circulation. However, we encourage everyone to proceed slowly and cautiously when making any decision which changes the appearance, weight, size, or metallurgical content of our nation's coins. To achieve cost savings through new manufacturing efficiencies will mean nothing if there are societal costs incurred due to the inability to properly process and circulate American currency throughout the world. In fact, a coin which lacks a proper level of technology and uniqueness is susceptible to counterfeiting and places our economic and national security at risk.

We commend the Subcommittee for taking the time and care to consider and research these important matters. The appearance and ease-of-use of both coin and currency is paramount to all Americans. Going forward, we encourage Congress, the Treasury Department and the United States Mint to consult with all stakeholders including retailers, armored carriers, vending machine manufacturers, the gaming industry, financial services institutions and our industry, the currency processing industry, long before **any** decisions are made with respect to coin design, size and content. This will help assure that coin production cost savings occur in tandem with a smooth transition and public acceptance, while protecting the security of our nation's monetary system.