

**STATEMENT OF
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**BEFORE THE
SUBCOMMITTEE ON DOMESTIC MONETARY POLICY AND
TECHNOLOGY:
HOUSE COMMITTEE ON FINANCIAL SERVICES
“The Future of Money: Dollars and Sense”**

**Thursday, November 29, 2012
2:00 p.m.
2128 Rayburn House Office Building**

Mr. Chairman, Ranking Member Clay, members of the Subcommittee, I appreciate the opportunity to appear before the Subcommittee today on behalf of the United States Mint (Mint) to address an issue that is at the top of the list of concerns of most Americans – how to save taxpayers’ money. I look forward to the discussion about the Subcommittee’s continued interest in the issue of \$1 coins and \$1 notes and cost savings regarding the manufacturing of our circulating coins.

The Mint celebrated its 220th anniversary on April 2, 2012. As one of the oldest and most visible public institutions in government, we play a special role in the life of our Nation and we have a rich history to share with the public.

The Mint is a vibrant team of 1,800 employees located in six facilities across the country. We operate three business lines: a circulating program, a numismatic program that includes

collectible products, and investment-grade precious metal bullion coins. In all business lines, the Mint had a strong performance throughout 2012. Though revenue decreased in 2012 compared to 2011, through our continued focus on costs, we were able to post solid net income results in all programs.

In 2012, the Mint made significant progress on a research and development program to examine the possible metallic alternatives for our Nation's coinage. To do so, we established and staffed a separate and secure research and development laboratory within the United States Mint at Philadelphia. This December, the Mint will provide the first annual report to Congress under the provisions of the "Coin Modernization, Oversight, and Continuity Act of 2010," which will discuss the findings of that program.

The men and women of the Mint delivered outstanding results for our Nation throughout the year. Thanks to their foresight, hard work and commitment, the Mint is well prepared for the opportunities and challenges ahead.

I would now like to discuss specific elements and highlights of the Mint's programs as they relate to today's hearing.

CIRCULATING

In fiscal year 2012, circulating coin production increased 24 percent to approximately 9.2 billion units from 7.4 billion in fiscal year 2011. Our circulating coin production has grown at a

compound annual growth rate of more than 20 percent for each of the last three years since a low of 5.2 billion coins in fiscal year 2009. We are pleased with the results of the ongoing cost-reduction efforts that we began in 2009. As a result, we reduced our non-metal costs of producing circulating coins, in absolute dollars, by \$58.8 million (25.5 percent) from \$230.3 million in 2009 to \$171.5 million as of August 2012 by improving our capacity utilization and significantly reducing expenses.

While our cost reduction efforts, increased productivity, and decreased commodity metals prices were all favorable in fiscal year 2012, the costs to manufacture and distribute both the penny and the nickel exceeded their face values again, just as they have for each of the last six fiscal years. Overall, seigniorage was positive in fiscal year 2012, and we expect it to be healthy again in 2013.

BULLION

One of our most important missions is to produce and market precious metal bullion coins to meet the needs of investors seeking exposure to silver and gold products. Although our bullion coin unit volumes and commodity prices were down in 2012, global economic and security conditions contributed to the significant volatility experienced throughout the year. In January 2012, we saw the highest monthly unit sales total in our history – with over 6.2 million ounces of bullion sold. For the fiscal year, we sold 788,000 ounces of gold bullion and 34.1 million ounces of silver bullion. Net income for the bullion program saw a decrease of 57 percent to \$28.4 million from \$65.8 million in 2011 because of lower volumes and pricing.

The Mint held roundtable discussions with its bullion coin Authorized Purchasers at the Philadelphia Mint in November 2011 and again last month at our facility in West Point, New York. This is the private sector network that purchases bullion coins directly from the Mint and makes them available to investors, coin and precious metal dealers, participating banks, and brokerage firms. The purpose of the meetings was to identify market trends and bullion coin demand trends. The meetings also gave us an opportunity to discuss the development and maintenance of more effective and efficient bullion coin operations and to improve communication between the Mint and the private sector.

NUMISMATIC

Results for fiscal year 2011 were exceptional for the numismatic (collector) program, with demand being driven by higher precious metal prices and the release of two popular American Eagle Silver Proof Coins. In addition, we released our most popular coin sets early in the year, increasing sales in fiscal year 2011. In fiscal year 2012, demand weakened across the board, with moderating silver prices, only one American Eagle Silver Proof Coin release, and a later-than-usual sale date for our recurring sets all contributing to a revenue decrease of approximately \$241 million. We are developing a comprehensive marketing strategy to increase the numismatic customer base and to incorporate new technologies and products.

DOLLAR COINS

With regard to ongoing production of the \$1 Coin, I want to stress that the Mint continuously looks for ways to manufacture more efficiently without compromising quality. Since 2007, the Mint has produced 2.4 billion Presidential \$1 Coins. The Federal Reserve currently has approximately 1.4 billion \$1 Coins in inventory. This inventory consists of Susan B. Anthony \$1 Coins, Sacagawea Golden \$1 Coins, Presidential \$1 Coins, and Native American \$1 Coins. The Mint fulfilled its statutory requirement to promote use of \$1 Coins. But despite these efforts, the Federal Reserve Banks still had significant – and growing – inventories of the coins in 2011, and, as a result, production of the coins for circulation was suspended in December of last year. This suspension reduced overall Mint production expenses by \$50 million. The Mint continues to offer the Presidential \$1 and Native American \$1 Coins through annual coin sets and other numismatic product options.

ALTERNATIVE METALS

Earlier, I mentioned our progress in research and development on the possible metallic alternatives for our Nation’s coinage, and I note that your second panel today will focus, in part, on the issue of minting pennies and nickels composed of steel. The Mint is looking forward to providing the first biennial report to Congress in December under the provisions of the “Coin Modernization, Oversight, and Continuity Act of 2010.” At this point, I can say that we have conducted two sets of trial strikes on a variety of metallic compositions and evaluated them for attributes such as hardness, ductility, corrosion and wear resistance, electromagnetic signature,

availability of raw materials, and cost. The report we submit to Congress in December will provide the results of our research and development efforts over the last 18 months. We recognize that there are many issues associated with adopting alternative metals to produce circulating coins, and we will continue to engage stakeholders in this process.

Mr. Chairman, this concludes my remarks. I will be happy to respond to any questions you or other members of the Subcommittee may have. Thank you.