

**TESTIMONY OF JEFFREY G. KNOLL
EXECUTIVE VICE PRESIDENT AND CORPORATE COUNSEL, CUMMINS-
ALLISON CORPORATION**

**U.S. HOUSE OF REPRESENTATIVES' FINANCIAL SERVICES
SUBCOMMITTEE ON DOMESTIC AND INTERNATIONAL MONETARY
POLICY, TRADE AND TECHNOLOGY**

**JULY 30, 2008, 10:00A.M.
2128 RAYBURN HOUSE OFFICE BUILDING**

THANK YOU MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE.

MY NAME IS JEFF KNOLL AND I AM EXECUTIVE VICE PRESIDENT AND CORPORATE COUNSEL OF THE CUMMINS-ALLISON CORPORATION. I AM HONORED TO PARTICIPATE AND OFFER TESTIMONY AT THIS IMPORTANT HEARING TODAY. CUMMINS-ALLISON BELIEVES THAT ALL AMERICANS SHOULD BE ABLE TO EASILY AND ACCURATELY DETERMINE THE DENOMINATIONS OF THEIR CURRENCY. CERTAINLY, VISION LIMITATIONS SHOULD NOT PREVENT ANY AMERICAN FROM BEING ABLE TO DETERMINE THE VALUE OF THEIR CURRENCY. MR. CHAIRMAN, WE COMMEND YOU AND YOUR COLLEAGUES FOR BRINGING US TOGETHER IN ORDER TO DISCUSS THIS IMPORTANT ISSUE.

CUMMINS-ALLISON IS A PRIVATELY HELD COMPANY WHICH HAS BEEN IN EXISTENCE SINCE 1887. THE COMPANY HAS SURVIVED AND THRIVED ALL

OF THOSE YEARS BY CONTINUOUSLY LOOKING FOR NEW PRODUCTS AND OPPORTUNITIES AS BUSINESS CYCLES AND CUSTOMER NEEDS HAVE CHANGED. WHILE IN RECENT YEARS THE COMPANY HAS LARGELY FOCUSED ON BANKING AND AUTOMATED CURRENCY HANDLING PRODUCTS, PAST GENERATIONS OF CUMMINS EMPLOYEES HAVE MANUFACTURED POWER TOOLS, CHECK PERFORATORS, AND OFFICE PRODUCTS. DURING WORLD WAR TWO, CUMMINS-ALLISON RETROFITTED ITS MANUFACTURING OPERATION AND HELPED TO SUPPLY OUR MILITARY.

CUMMINS-ALLISON'S INTERNATIONAL CORPORATE HEADQUARTERS AND PRODUCT MANUFACTURING ARE LOCATED NEAR CHICAGO, IN MT. PROSPECT, ILLINOIS. IN ADDITION TO OUR HEADQUARTERS LOCATION IN ILLINOIS, CUMMINS HAS A RESEARCH GROUP NEAR SAN DIEGO WHICH HELPS TO DEVELOP SENSORS AND SOFTWARE, AN ENGINEERING GROUP IN BENSALEM, PENNSYLVANIA AND MORE THAN FIFTY SALES AND SERVICE LOCATIONS THROUGHOUT THE UNITED STATES. INTERNATIONALLY, CUMMINS-ALLISON HAS WHOLELY OWNED SUBSIDIARIES IN CANADA, FRANCE, GERMANY, AND THE UNITED KINGDOM. IN ADDITION, WE HAVE SALES AND SERVICE AGENTS LOCATED IN NEARLY 70 OTHER COUNTRIES ALL OVER THE WORLD.

ALL CUMMINS-ALLISON DESIGNED PRODUCTS, WHETHER SOLD IN THE DOMESTIC OR INTERNATIONAL MARKETS, ARE MANUFACTURED IN THE

UNITED STATES BY U.S. WORKERS. CUMMINS-ALLISON IS FULLY COMMITTED TO AMERICAN MANUFACTURING AND AMERICAN LABOR.

CUMMINS-ALLISON IS THE ONLY AMERICAN OWNED MANUFACTURER OF HIGH TECH COIN AND PAPER CURRENCY PROCESSING EQUIPMENT. WE DESIGN, MANUFACTURE, AND SELL HIGH-SPEED COIN AND PAPER CURRENCY PROCESSING EQUIPMENT THAT IS USED BY BANKS, ARMORED CARRIERS, GOVERNMENTS, RETAILERS, THE GAMING INDUSTRY, AND OTHERS TO COUNT, SORT, DENOMINATE, AND AUTHENTICATE LARGE VOLUMES OF CURRENCY. OUR PAPER CURRENCY PROCESSING PRODUCTS RANGE IN SIZE FROM THE SMALLER TABLETOP JETSCAN, WHICH IS USED BY THE MAJORITY OF AMERICAN FINANCIAL INSTITUTIONS INCLUDING YOUR CREDIT UNION HERE AT THE U.S. HOUSE OF REPRESENTATIVES, TO MUCH LARGER PROCESSING EQUIPMENT PRODUCTS SUCH AS THE JETSCAN MULTIPOCKET CURRENCY SORTER. OUR LARGER UNIT WILL DENOMINATE, COUNT, SORT, FACE (TURN THE BILLS THE CORRECT WAY,) AUTHENTICATE (CHECK FOR COUNTERFEITS,) STACK AND BAND PAPER CURRENCY AT A RATE OF 1,000 NOTES PER MINUTE. OUR LARGEST MACHINES ARE USED BY LARGE BANKS, ARMORED CARRIERS, GOVERNMENTS, RETAILERS, THE GAMING INDUSTRY, AND OTHERS.

CUMMINS-ALLISON IS VERY INTERESTED IN ALL ISSUES RELATING TO WORLD-WIDE CURRENCY UTILIZATION AND DESIGN. ANY CHANGE TO

AMERICAN COIN OR PAPER CURRENCY MAY SIGNIFICANTLY IMPACT THE ABILITY AND WILLINGNESS OF A RANGE OF NATIONS TO UTILIZE THAT CURRENCY. ANY CHANGE TO THE AMERICAN DOLLAR COULD ADVERSELY IMPACT OUR ECONOMY BECAUSE WE BENEFIT GREATLY FROM THE DOLLAR'S STATUS AS THE PREIMINATE WORLD RESERVE CURRENCY.

MORE THAN SIXTY PERCENT OF THE WORLD'S RESERVE CURRENCY IS HELD IN U.S. DOLLARS, WHICH PROVIDES AMERICA WITH MANY ECONOMIC BENEFITS. DUE TO THE LARGE QUANTITY OF AMERICAN CURRENCY HELD BY FOREIGN NATIONS, THE UNITED STATES IS ABLE TO PURCHASE COMMODITIES AT LOWER PRICES AND BORROW MONEY AT LOWER RATES THAN WOULD OTHERWISE BE POSSIBLE. IN ADDITION, WHEN COUNTRIES ACCUMULATE AND HOLD THE DOLLAR, AMERICAN ECONOMIC SECURITY, AS WELL AS OUR NATIONAL SECURITY, IS ENHANCED. FINALLY, THE DOLLAR IS EASILY RECOGNIZED AND WELL RESPECTED BY HUNDREDS OF MILLIONS OF PEOPLE AROUND THE WORLD, WHICH PROVIDES OUR GOVERNMENT WITH GREATER LEGITIMACY AND ALLOWS US TO ASSERT OUR ECONOMIC LEADERSHIP. AS WE BEGIN TO REVIEW AND DISCUSS THE POSSIBILITY OF ALTERING CURRENCY DESIGN OR ITS SIZE, IT IS VERY IMPORTANT TO KEEP THESE CRITICAL FACTORS IN MIND.

CUMMINS-ALLISON VERY MUCH APPRECIATES THE NEED TO FIND A SUITABLE SOLUTION SO THAT BLIND INDIVIDUALS CAN EASILY

DIFFERENTIATE THE DENOMINATIONS OF THEIR CURRENCY. HOWEVER, IN CONSIDERING ANY CHANGES TO THE DESIGN OR SIZE OF OUR CURRENCY, WE STRONGLY ENCOURAGE THE GOVERNMENT TO MOVE SLOWLY AND WITH GREAT CARE. AS THE BUREAU OF ENGRAVING AND PRINTING HAS POINTED OUT, EVEN THE SMALLEST ALTERATION TO CURRENCY CONTENT, SIZE, OR DESIGN COULD HAVE ENORMOUS AND EXTREMELY EXPENSIVE CONSEQUENCES FOR THE PUBLIC AND OUR GOVERNMENT, AS WELL AS, THE MANY FOREIGN NATIONS WHERE IT CURRENTLY SERVES SO WELL AS A RESERVE CURRENCY.

AMERICAN CURRENCY HAS BEEN THE SAME SIZE AND DIMENSION FOR MORE THAN FIFTY YEARS. THIS HAS ENABLED THE CURRENCY PROCESSING INDUSTRY TO DEVELOP COST EFFECTIVE MACHINERY WHICH IS USED THROUGHOUT THE WORLD TO PROCESS THE AMERICAN DOLLAR. IT IS LESS EXPENSIVE TO PROCESS AMERICAN CURRENCY THAN FOREIGN CURRENCIES OF VARYING SIZES. TO DENOMINATE THE MULTI-DIMENSIONAL EURO, FOR EXAMPLE, MORE SOPHISTICATED AND EXPENSIVE MACHINERY IS REQUIRED. WHILE SPECIFIC RESEARCH ON THE COST VARIENCES OF PROCESSING DIFFERENT CURRENCIES HAS NOT BEEN CONDUCTED, OUR EXPERIENCE WITHIN THE INTERNATIONAL MARKET SUGGESTS THAT CURRENCY PROCESSING EQUIPMENT AND THE RELATED COSTS OF PROCESSING VARIABLE SIZE CURRENCY IS MORE EXPENSIVE IN THE EURO ZONE THAN IN THE UNITED STATES. IN FACT, THE

UNIFORM SIZE AND DEMENSION OF AMERICAN CURRENCY MAKES IT THE PREFERRED CURRENCY IN MANY COUNTRIES OF THE WORLD BECAUSE IT IS EASIER AND LESS EXPENSIVE TO HANDLE AND PROCESS.

HERE AT HOME, IF THE UNITED STATES INTRODUCED CURRENCY OF VARYING SIZES, THE CONVERSION PROCESS WOULD BE EXTREMELY EXPENSIVE AND CHALLENGING. THE MAJORITY OF THE CURRENCY PROCESSING MACHINERY USED BY BANKS, ARMORED CARRIERS, RETAILERS, THE GAMING INDUSTRY, AND OTHERS COULD NOT BE MODIFIED TO PROCESS A NEW SIZE CURRENCY AND WOULD NEED TO BE COMPLETELY REPLACED. TODAY'S STATE-OF-THE-ART PROCESSING MACHINERY UTILIZES VERY SPECIFIC AND UNIQUE FEEDING MECHANISMS, TRANSPORT COMPONENTS, SENSORS, AND STACKING DEVICES. THESE HIGHLY ENGINEERED COMPONENTS, ALONG WITH THEIR HOUSINGS, ARE DESIGNED TO PROCESS OUR EXISTING CURRENCY ONLY AND COULD NOT BE MODIFIED TO PROCESS NEW, MULTI-DIMENSIONAL CURRENCY. WHILE THERE ARE NO HARD NUMBERS AVAILABLE, WE ESTIMATE THAT THERE ARE SEVERAL HUNDRED THOUSAND UNITS IN AMERICA THAT ARE CURRENTLY IN USE. QUITE SIMPLY, MACHINERY REDESIGN, REENGINEERING, AND LABOR COSTS TO MODIFY EXISTING UNITS WOULD FAR OUTWEIGH THE COSTS OF REPLACING THESE UNITS.

IF A LARGE MAJORITY OF THE CURRENCY PROCESSING MACHINERY IN THE UNITED STATES BECOMES OBSOLETE, NEW MACHINERY WOULD NEED TO BE DESIGNED, ENGINEERED, MANUFACTURED, PURCHASED AND INSTALLED. MOST LIKELY, THE PUBLIC WOULD BE REQUIRED TO ABSORB THE NATIONAL COSTS ASSOCIATED WITH THIS CONVERSION. IF YOU COMBINE THE COSTS ASSOCIATED WITH CURRENCY PROCESSING MACHINERY REPLACEMENT WITH THE MODIFICATION OR REPLACEMENT COSTS ASSOCIATED WITH THE ATM, VENDING, AND CURRENCY PRINTING INDUSTRIES, IT QUICKLY BECOMES APPARENT THAT CHANGING THE SIZE OF AMERICAN CURRENCY WOULD BE EXTREMELY EXPENSIVE AND IMPRACTICAL FOR AMERICA.

WE BELIEVE THAT THE U.S. SHOULD ACCOMMODATE THE NEEDS OF BLIND AMERICANS, BUT RECOMMEND THAT THE U.S. CONSIDER ACTIONS OTHER THAN CHANGING THE SIZE OF OUR CURRENCY TO ASSIST THEM. FOR EXAMPLE, WE ARE AWARE THAT ELECTRONIC HAND HELD CURRENCY DENOMINATORS ARE CURRENTLY ON THE MARKET AND MAY BE AN OPTION TO CONSIDER. SHOULD THE MARKET CONDITIONS FOR THESE DEVICES IMPROVE, IT IS LIKELY THAT THE NEXT GENERATION UNITS WILL BE SMALLER AND MORE EFFICIENT THAN CURRENT MODELS. FURTHERMORE, IT IS VERY CONCEIVABLE, GIVEN OUR CURRENCY AUTHENTICATION SENSOR WORK AND EXPERTISE, THAT FUTURE HAND-HELD DEVICES COULD IDENTIFY COUNTERFEITS, AS WELL AS DENOMINATE

CURRENCY FOR THE BLIND. THIS, OF COURSE, WOULD PROVIDE BLIND INDIVIDUALS WITH ADDED SECURITY AND ASSURANCE THAT THEIR CURRENCY IS GENUINE AND LEGITIMATE.

WHEN ONE LOOKS AT THE POTENTIAL NATIONWIDE COSTS OF ATM, VENDING, AND CURRENCY PROCESSING EQUIPMENT REPLACEMENT, COUPLED WITH THE TAXPAYER OUTLAYS FOR THE DESIGN, PRINTING, AND CIRCULATION OF A NEW CURRENCY, IT MAY BE FAR LESS EXPENSIVE FOR OUR GOVERNMENT TO PURCHASE AND PROVIDE THOSE WITH LIMITED VISION WITH A HAND HELD CURRENCY DENOMINATOR, THAN IT WOULD BE TO REDESIGN AMERICAN CURRENCY.

IN SUMMATION MR. CHAIRMAN, CUMMINS-ALLISON WHOLEHEARTEDLY APPRECIATES THE NECESSITY OF FINDING A WAY FOR BLIND INDIVIDUALS TO MORE EASILY AND ACCURATELY DIFFERENTIATE BETWEEN CURRENCY DENOMINATIONS. CUMMINS-ALLISON ENCOURAGES CONGRESS, THE TREASURY DEPARTMENT AND OTHERS TO PROCEED WITH EXTREME CAUTION AND DILIGENCE. FIRST AND FOREMOST WE MUST PROTECT THE INTEGRITY AND RESERVE CURRENCY STATUS OF THE DOLLAR. AS YOU KNOW, SINCE 2002, THE VALUE OF THE DOLLAR HAS DECLINED 25 PERCENT. SHOULD THE DOLLAR'S VALUE CONTINUE TO DECLINE, IT WILL BECOME INCREASINGLY IMPORTANT FOR OUR GOVERNMENT TO ACTIVELY PROMOTE ITS USE AND STATUS AS THE WORLD'S PREFERRED CURRENCY.

ANY CHANGES TO THE SIZE OF U.S. CURRENCY COULD BE PROBLEMATIC, CREATING ADDITIONAL DOUBT AND SKEPTICISM AROUND THE GLOBE.

FINALLY, AS AN INTERNATIONAL MARKET LEADER IN THE CURRENCY PROCESSING EQUIPMENT INDUSTRY, WE STRONGLY ENCOURAGE CONGRESS AND THE FEDERAL GOVERNMENT AGENCIES TO AVOID THE EXTREMELY EXPENSIVE AND ULTIMATELY UNWORKABLE OPTION OF CHANGING THE SIZE OF AMERICA'S CURRENCY. THERE ARE UNDOUBTEDLY MUCH BETTER, LESS EXPENSIVE, AND LESS PRECARIOUS ALTERNATIVES THAT WILL ADEQUATELY ADDRESS THIS ISSUE.

MR. CHAIRMAN, THANK YOU AGAIN FOR THE OPPORTUNITY TO PARTICIPATE IN THIS HEARING. I AM HAPPY TO ANSWER ANY QUESTIONS THAT YOU OR THE OTHER MEMBERS OF THE SUBCOMMITTEE HAVE.