

**Testimony of the National Automatic
Merchandising Association**

Wednesday, April 28th, 2004

**The Subcommittee on Domestic and
International Monetary Policy**

**H.R. 3916, The Presidential \$1 Coin
Act of 2004**

Good Afternoon. My name is Tom McMahon. I'm Senior Vice-President and Chief Counsel of the National Automatic Merchandising Association. Mr. Chairman, I want to thank you and the entire Committee for this opportunity to spend a few minutes talking about the dollar coin, its design, things we might do to get more Americans to use the dollar coin, and H.R. 3916, the Presidential \$1 Coin Act of 2004.

First, the Presidential \$1 Coin Act of 2004: the National Automatic Merchandising Association, representing some 2400 companies serving food and beverages through vending machines to more than 10 million Americans every working day, supports this legislation. In our view, The Presidential \$1 Coin Act is a thoughtful, legitimate attempt to generate interest in the dollar coin, and, we hope, lead to wider use of the coin in commerce. We appreciate the sponsorship of this measure by Congressman Castle and Congresswoman Maloney.

A widely circulating dollar coin would favorably impact our industry by at least \$1 billion per year. The \$1 billion estimate is comprised of \$300 million in increased sales and \$700 million in reduced costs if the coin circulated widely. The industry estimates its annual sales at \$30 billion. It estimates lost sales due to rejected \$1 bills of at least 1% of

sales, or \$300 million. We estimate at least one service call per year, per machine is due to a jammed bill acceptor. A widely circulating dollar coin would eliminate virtually all of these service calls. With 7 million food and beverage vending machines in the nation, and \$100 per service call, the industry would save \$700 million in costs. Lower costs lead to lower prices.

Before moving on to four suggestions about how to get the dollar coin circulating, a word about the quality of circulating U.S. currency: Our members are deeply concerned about a policy under consideration at the Federal Reserve, known as the Currency Recirculation Policy announced in the Federal Register in October of last year. Under this policy, commercial banks will face a recirculation fee of \$5 to \$6 per bundle (1,000 notes) of currency returned by a bank that contains fit currency if the bank orders new currency of the same denomination in the same week. In other words, under this policy, a bank will face a penalty if it returns fit currency to the Federal Reserve but no penalty if it returns unfit currency to circulation. This will lead to a degrading of US currency and more lost sales in our industry.

In comments filed with the Federal Reserve Board on January 12th, 2004, NAMA expressed serious concerns about this policy and asked that the Board, before adopting this policy, determine the effect the policy would have on the fitness of U. S. currency and on the vending industry. To date, we have received no reply from the Federal Reserve. A letter from the Chairman of this Subcommittee to the Federal Reserve Board supporting our request would be greatly appreciated.

Now back to the matter of dollar coins and what can be done to get more of them into the hands of the American people. We have four suggestions:

- 1) Enact the Presidential Coin Act of 2004. Dollar coins bearing the images of our Presidents, starting with George Washington in January 2006, would stand a good chance of stimulating interest and wider use of the dollar coin.
- 2) Get the Susan B. Anthony dollar coin out of circulation. Although vending machines like Susan B.'s as much as Golden Dollar coins---they both work equally well in vending machines---people don't like Susan.B's. Some people don't know what they are. And retailers who have started a program to offer dollar coins to their customers have discontinued their programs as soon as they saw Susan. B's mixed in with Golden Dollar coins when they received coins from the bank. The Susan B. is a major impediment to the success of the Golden Dollar coin. Our industry might be able to help the Federal Reserve and the Mint get Susan. B's out of circulation.
- 3) Make the Golden Dollar Coin available to the American people. Start with federal buildings. Thousands of Post Offices, military installations, federal office buildings and the like do not offer the coin over the counter to the American people. Presidential Dollar Coins will provide the perfect opportunity to begin to offer the coin to the American people. The United States Government prints \$1

bills and makes \$1 coins. Why are both government products not available to Americans on federal government property?

- 4) Engage the nation's retailers in the Presidential Coin program. If Wendy's offers Presidential Coins to its customers and those coins bring business in the door, you can bet McDonalds will follow suit. If Target offers Presidential Coins to their customers and those coins bring business in the door, you can bet Walmart will follow.

The American people will then have a convenient, useful, cost efficient alternative to the \$1 bill.

Thank you.