

## **Welcome to the C.N.A. E-Bulletin Vol. 3, No. 9 – February 20, 2007**

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### **SPECIAL CANADIAN “ONE CENT” EDITION**

#### **INTRODUCTION**

We dispense your usual format and present a special issue of the C.N.A. E-Bulletin dealing with all the latest news on the possible changes to the lowly cent.

Rather than repeating the articles you might have read in the popular press, however, we present a few articles you missed because they were published in other than the mainstream press.

I bet you will not read anywhere one of the comments I made when the C.N.A. received telephone calls asking for comments on the “controversy” about the elimination of the Canadian one-cent coin, which was: “The ‘controversy’ is being created by the very media that is trying to get people to comment on the ‘controversy’ that they started following a report by, to most of us, a rather obscure bank.”

But first, we publish an article that started the latest series of “controversy” about the lowly Canadian cent.

#### **SPENDING CENTS MAKES NO SENSE**

On February 15, the Canadian Broadcasting News published the following article under the byline: “Spending cents makes no sense, finance company says:”

The federal government should seriously consider taking the penny out of circulation, a Quebec finance company says. And if that's successful, the nickel should be next, the Desjardins Group said in a report issued Thursday.

"If the senior management of the Bank of Canada decided (like the central banks of New Zealand and Australia) to publish the work of the researchers in this field and publicly stated that removing the penny from circulation would have no effect on the Consumer Price Index in the medium and long terms, many consumers would be reassured," Desjardins said.

Using the one-cent coins costs Canadians \$130 million a year to produce, store and transport, said group chief economist François Dupuis. Yet a company survey suggests that many Canadians don't like the coin, which has lost value since it was introduced a hundred years ago, and don't use it.

Instead, the coppers accumulate in jars, are pitched into fountains, left on store counters by the cash register or thrown away.

"Overall, it seems that the lower a coin's value, the less often it is used for purchases," the company said, based on the survey.

Citing government statistics on the annual production of pennies, and the number in circulation — nearly 600 for each Canadian — Desjardins concludes that most people "tend to hoard pennies or even throw them away, rather than depositing them and putting them back into

circulation, thereby demonstrating further proof of the coin's uselessness. Moreover, countries such as Australia and New Zealand have already removed their one-cent coins from circulation without ill effects. (New Zealand has gone further, dropping its two- and five-cent coins as well.)

Dupuis thinks that prices wouldn't change much if the penny were dropped because they would be rounded to the nearest five cents. "For example, transactions where the final price would be \$9.98, \$9.99, \$10.01 or \$10.02 would go for \$10.00. Those of \$10.03, \$10.04 or even \$10.06, would go for \$10.05."

There would be costs, borne by the mining companies that make the metal used in coins, the Royal Canadian Mint, which manufactures pennies, the armoured car companies that transport them and companies that manufacture rolls and other products used to handle pennies.

According to the company's survey:

- The lower a coin's value, the less it's used; 66 per cent of respondents used loonies and toonies to make purchases, but only 37 per cent used pennies.
- Women use change more often than men do.
- Older people use coins much more often than younger people. Fewer than one in six aged 18 to 25 use pennies to make purchases, compared with slightly more than half of older respondents.
- Just over half the respondents collect pennies to deposit, spend or to give to children, churches or charities.

The 2006 poll surveyed 658 Canadians with a margin of error estimated at plus or minus four per cent, 19 times out of 20.

### **PENNIES FOR YOUR THOUGHTS**

Desjardins Group also published the following statistics about the Canadian cent:

- Number of pennies in circulation: 20 billion
- Number for each Canadian: nearly 600
- Number issued annually: 816 million
- Only Canadian coin that carries an image of the Maple Leaf.
- The RCM claims it only costs \$.008 to make a coin
- Accounts for about 57 percent of the Mint's national coin production.
- Since it was first struck in 1908, 30.5 billion 1-cent pieces have been made.

### **IN PRAISE OF THE HUMBLE PENNY**

C.N.A. E-Bulletin subscriber Eric Jenson came across a light-hearted article published in the "Money - Business on Sunday" section of the Calgary Herald which we reprint below:

#### **THEY'RE WORTH ALL THE TROUBLE!**

by Kevin Cowherd, The Baltimore Sun

Let's get the personal bias out of the way first: I like pennies. I pick them up off the ground for good luck. At the end of the day, I toss all my pennies into a cup on my dresser, which, frankly, is doing better than my RRSP. And, when I go to the convenience store to buy a Minute Maid orange juice and hand the sullen, young woman with green hair at the cash register \$1.40 for my \$1.39 juice, I stand there with my hand out-stretched waiting for my one-cent change. She doesn't say anything, but I think this drives her nuts. You can tell by her eyes, and by the slow,

deliberate way she exhales. Another penny freak, she's thinking. Boy, I can't stand this place. I bet she goes home right after her shift and starts working on her resume. Tough. She's not throwing my penny in that little plastic dish next to the register.

Anyway, the point is that I come down strongly pro penny in almost every aspect of life, and have for many years. But, sadly, there are a lot of people who hate pennies. They find them annoying and grimy and terribly old-fashioned in an age when so many financial transactions involve plastic.

They say they're more trouble than they're worth. Which means they're no doubt heartened by recent news stories that report it's now costing the U.S. government more than a penny to make a penny, leading to speculation the penny could ultimately disappear.

Oh, the sullen, young convenience store clerk with the green hair, she probably saw these stories and cheered. Maybe she even tore up her resume, and poured herself a celebratory Slurpee and thought: "Fine, I'll give this place a few more months." But the rest of the haters are still out there.

There's even a tiny group called Citizens for Retiring the Penny, headed by a young man named Jeff Gore who graduated last year from the University of California, Berkeley with a Ph.D. in Physics. I reached Gore on a really bad cell phone connection recently as he traveled by train through Connecticut. He seemed like a sensible guy for an academic, something you don't find every day.

His main gripe about pennies? "The use of pennies in cash transactions slows down transactions and is a waste of time," he said. He then directed me to the CRP website, which cites a study done by the U.S. National Association of Convenience Stores and Walgreen's drug stores that says customers fumbling for pennies adds 2.5 seconds to each transaction, which adds up to four hours lost per person each year. Even if the study is legit, what the haters don't get - or what they fail to appreciate - is the pluses of the penny far outweigh its minuses.

Take the penny's simple beauty. But maybe what I like best about the penny is its penchant to surprise you. You never know where you'll come across one: next to a cigarette butt on a city sidewalk, encased in Oreo crumbs under the couch cushions, wadded up with the chewing gum behind the car seats, in the oozing muck of a pond.

And here's the thing: According to a poll by Coinstar, the company that developed self-service machines that turn coins into cash, more than three-quarters of us will reach past the cigarette butts, Oreo crumbs, chewing gum and oozing muck to pick up that penny. I wonder if the sullen, young convenience store clerk with the green hair knows that. I should tell her - if she hasn't quite already.

## **LOSE CHANGE**

The following, written by Doug Steiner in the January 2007 issue of "Report on Business," was forwarded to us by Dr. Marvin Kay. It carries the byline "It's time to get rid of the penny and the nickel. Billions of them just sit in drawers and jars."

About four times a year, I dump out all the coins that have accumulated around my house and sort them. I even used to separate U.S. pennies from Canadian ones so I could use them on my next business trip south of the border. Then, as the Canadian dollar rose above 80 cents (U.S.), I thought, what a waste of time.

I now only use the coins from my sorting frenzy for two purposes: The quarters, dimes and nickels are loaded neatly in plastic rolls and placed in the centre console of my car for parking meters. The pennies sometimes get brazenly dropped in a 2.3-kilo, 20-roll thud in the oak collection plate at my church – to see if I can tip over the usher.

You used to be able to buy lots of things for a penny. I remember going to my local corner store in the 1960s and loading up on one-cent Dubble Bubble gum packs. In 2004, the gum maker was swallowed by Chicago's Tootsie Roll Industries – despite mothers' warnings never to swallow gum. Inflation and corporate deal making have chewed on the value of the product to the point where an anemic-looking version of the pink gum now sells for five cents.

There's almost nothing you can buy for a penny any more. In effect, pennies really don't even function as legal tender, something you'd expect currency to do.

It's a very expensive conundrum as well. Although pennies are useless, there has been a huge growth in the numbers of them in circulation. The Royal Canadian Mint coin plant in Winnipeg has struck close to five billion pennies since 2000, including an estimated 800 million in the past year. Yet even UNICEF will no longer gather Canadian coins in orange Halloween boxes to help children in impoverished countries. The UN agency ended its 50-year-old, door-to-door collection drive last year, in part because the cost of sorting change was just too high. I'm also worried about the environmental impact – there may soon be no copper-coated zinc forests left in this country.

The Tim Horton Children's Foundation, on the other hand, has turned our laziness and frustration with pennies to its advantage. The doughnut chain recently raised the price of a medium coffee to \$1.24. Take a look at the Foundation's clear plastic collection box by the cash register: It's jammed with leftover pennies. Canadians can't even be bothered to use their arm muscles for an over-the-counter and into-their-pocket lift.

Other countries are way ahead of us in repurposing their scrap metal. New Zealand ditched its one- and two-cent pieces in 1990. Last November, the country dropped its five-cent coin. In a poll, 60 percent of New Zealanders said they stored coins instead of using them, and they had an estimated four coins in jars and drawers for every one in use. The Government also calculated that, due to inflation, the value of a five-cent coin was less than the value of a penny in 1967. Storekeepers now have to post signs saying if they round up or down to the nearest dime for cash payments. Electronic transactions can still go down as far as the penny.

New Zealand has also downsized its coins over the years and altered the metal content. The country's dime is now literally its copper. And who manufactures the coins? The Royal Canadian Mint.

So let's get rid of Canada's nickel and penny. We shouldn't stop there, either. The disadvantage of metal as material for pennies and nickels – the fact that it lasts for decades – is a plus when it replaced fast-wearing paper currency. We should introduce five- and ten-dollar coins. Back in 1994, a Bank of Canada study estimated that Ottawa saved \$483 million over the first five years after replacing the dollar bill with the loonie in 1987.

Ian Bennett, the Master of the Mint, says he finds my ideas "interesting." He's no slouch about Ottawa – he was appointed last June, after serving as deputy minister of finance. But he reminded me that he's a servant of the government, and the Mint does not decide coin policy.

The other trouble is that Canadians clearly don't want any more coins cluttering up their purses, pockets, jars and drawers. The Mint studied the idea of a \$5 coin in 2000 and 2005. But the last time around, participants in focus groups groaned at the idea of even more change to carry around, even if the \$5 coin was lighter than a loonie or a toonie.

Maybe Ottawa just needs to market the idea better. Having nicknames for the \$1 and \$2 coins certainly helped. If there's a sense of humor in the nation's capital, they'll put the heads of five male deer on the coin, so we can call it five bucks. And the 10-dollar coin? How about a horse/donkey crossbreed, so we can call them pieces of...well, you figure it out.

### **TIME TO DROP THE PENNY?**

As editor of the C.N.A. E-Bulletin, I have the privilege of having the last word if I want, and I do have a number of questions to ask about the following column, written by Tara Perkins under the heading of "Time to Drop the Penny?" on the front-page of The Toronto Star on February 16. I have selected only those portions that appear to slant towards the elimination of the cent and I wonder about. My questions/comments are in brackets.

We toss them in the garbage, lose them in couches, hoard them in jars, waste them in fountains, and leave them behind at the cash register. (Really? I don't know of anyone that tosses them in the garbage, the ones lost in couches are retrieved, and we generally leave them behind at the cash register in a "give one/take one" jar or the donation box.)

Canada issued 30.5 billion pennies between 1908 and 2005. Even assuming a third of them have now disappeared, there are still 600 per Canadian in circulation – and that's costing the country at least \$130 million per year or \$4 per person, the report said. (I wondered how it can possible be "costing" us \$130 million per year, but they address it later.)

Witness the number of people who just walk away from the cash register when pennies are due back, or the number of cash registers where there is a bowl in front to take or leave a penny, or how often the person at the register rounds the change up to the nearest nickel. These are all signs that the costs exceed the benefits." (Are these the reasons we should eliminate the cent? And if there is really the low demand they are trying to convince us exists, why is there a demand of over 800 million cents a year on the Mint?)

Only 40 percent of Ontarians still use pennies for purchases, according to a survey by Desjardins. (If someone were to ask me if I used pennies, I might answer "no" because I do not deliberately go and seek out pennies for change, but I get them and give them as routine transactions.)

Last year, the United States Mint revealed that it will cost about 1.4 cents (U.S.) this year to make its one-cent coin. In Canada, the cost of producing a penny is "less than one cent," said Royal Canadian Mint spokes-woman Christine Aquino. (On the basis of these statistics, the U.S. should drop the cent, or ask the Royal Canadian Mint how they do it.)

The \$130 million cost of keeping pennies in circulation includes production, storage and the cost of simply dealing with them - \$20 million for banks and other financial institutions and about \$60 million for retailers, Desjardins said. Both those sectors pass the costs on to consumers, it said. (Will someone please explain to me how it is costing retailers \$60 million? Does that mean that they will save \$60 million if we discontinue the cent? Will banks really reduce their cost by \$20

million? Is it because they will be able to lay off all kinds of employees? And isn't the cost of production more than made up by the value of the cent itself?)

There are other costs too, such as the environmental impact of processing the metal, manufacturing the alloys, and transporting the pennies, Desjardins said. (Let us not forget that if you eliminate the cent, we will need a lot more 5-cent pieces, meaning some of the costs mentioned would be transferred, not eliminated.)

### **FUZZY COIN LOGIC DOESN'T ADD UP**

The following letter from David Boyle of Toronto was published in the "Letters to the Editor" section of The Toronto Star on February 17. It was in response to the "Should we bury the penny?" article published the day previous.

Your story reminded me of a strange incident I witnessed at my local Liquor Control Board of Ontario (LCBO) location at Coxwell Ave. and O'Connor Dr. in Toronto

I was behind a gentleman paying for his purchase with exact change. The cashier refused to accept the amount tendered.

The reason – 10 of the 12 coins offered were pennies. The cashier maintained that the LCBO did not accept pennies on the basis that none of the LCBO products are sold at \$xx.10. The man asked if 10 Canadian pennies were no longer legal tender. A concession was made – the cashier would accept five pennies, not 10.

Having no respect for people on power trips, I expressed my disgust by leaving my two bottles of wine on the counter, and walking out of the store.

I am tempted to return to that LCBO store to buy a large bottle of Kahlua that is currently on sale for \$35.10. I would purposely seek out a senior representative of management to see whether my exact change (including only 10 pennies in coins) would be refused.

If my cash payment was similarly rejected, I would then offer a credit card or debit card with a comment that the processing cost for this transaction would now cost the LCBO more than the 10 pennies (if not, the five pennies) it had refused.

### **SAVE THE LOWLY PENNY**

The following excerpts are from the editorial appeared in the Monday, February 19 issue of the Toronto Star:

Once made of copper, and now mostly steel, the lowly penny has circulated in Canada for more than 130 years. Despite that history, there are growing calls that it be scrapped. But there is still value in this humblest of coins. Put simply, it doesn't make cents to get rid of the penny.

Some people want to retain the penny on grounds of tradition or aesthetics. Like our flag, it bears the maple leaf. And, when newly minted, its gleaming copper hue makes it stand out from other coins.

In its glory days, a penny was sufficient to buy a newspaper, a soothing soft drink, or a bulging bag of sweets. Today, it is hard to think of anything that can be purchased for one cent. For that reason, some people don't want pennies jingling in their pockets, or cluttering a change purse. Some even throw them away.

But a penny saved remains a penny earned. And, on balance, it is worth keeping this coin in circulation.

### **LEGAL TENDER AND THE CENT**

The following e-mail was received from Bret Evans, Managing Editor/Associate Publisher, Canadian Coin News & Canadian Stamp News:

I've noticed that there seems to be a misunderstanding about legal tender. Since I had to tread through this minefield and write more than a couple of stories, back in 1991-1992, perhaps I can shed some light.

Legal tender implies the payment of debt, not storage of wealth.

There is not doubt that 1,000 1-cent coins represent \$10, but that does make them legal tender. In fact they are not, since the currency act defines how many coins of each denomination make up legal tender.

In most cases, with coins of \$5 and up, that means one.

If I owe you \$10 and offer to pay with 1,000 1-cent coins then you can refuse because I have not offered legal tender.

The only exception with coins are the Montreal Olympics, which were issued under the authority of a different act, and are legal tender in units of up to two coins.

Legal tender does not mean that the bank has to accept them in deposit because that is not a payment of debt. You could force the issue by going into debt to the bank, and then making them accept commemorative coins (up to the limit of legal tender) but that seems a bit extreme. Not only that but most of us aren't easily able to run up a debt of \$1 million.

Of course there is no requirement for any bank to convert coins of one denomination into another value. Or into bills or cheques or any other form of money free of charge, period.

Clear as mud?

### **SUBSTITUTE FOR CANADIAN CENT**

The Globe and Mail, as part of the "Currency" column in the Business News section on Friday, February 16, showed an illustration of a collage of one-cent coins. Credit for the photo was "ISTOCKPHOTO." I don't know when the photo was actually taken (the most recent date visible was in 2001 as well as containing obverses of both the old and new Queen), but what I found curious for an article dealing with the elimination of the Canadian cent was that there was a liberal sprinkling of U.S. cents included.

Maybe the solution for those of you that think there is a future for the lowly cent, if Canada decides to eliminate it, is to use U.S. cents instead.

### **WHAT ABOUT THE FUTURE OF THE U.S. PENNY?**

People have strong feelings about their money, even the penny. A congressional effort to reduce the need for the 1-cent piece failed even though it costs more to produce the copper-coloured coin than the coin is worth.

When Americans were asked whether the penny should be eliminated, 71 per cent said No. Some fear that getting rid of the penny will cause product prices to be rounded up, perhaps increasing inflation.

Other poll findings, according to the Associated Press/Ipsos Poll:

- 53 per cent said they carry their loose change collected during the day to use for future purchases.
- 42 per cent put their loose change in a jar or piggy bank each day.
- 48 per cent said they use cash for purchases under \$10.
- 28 per cent said they usually use cash in such cases, but sometimes use credit or debit cards.

### **THIRD TIME LUCKY FOR U.S. DOLLAR COIN**

The following are excerpts from the "Worth Repeating" column published on the Editorials & Opinion page of The Toronto Star on Monday, February 19, 2007: It originally appeared as an editorial in the Chicago Tribune:

If the third time is the charm, the U.S. Mint finally will be able to sell the country on a \$1 coin. But don't bet on it.

The mint put a new presidential series of \$1 coins into circulation Thursday. The new series will feature a U.S. president on the head and the Statue of Liberty on the tail. This is the third time in 30 years that the mint has created a dollar coin. It also appears destined to be the mint's third failure.

The government created the Susan B. Anthony dollar coin in 1979, but people said they couldn't tell it apart from the quarter. It failed. The government tried again in 1999 with the Sacagawea dollar coin. A wise mint cast that one in the color of gold so it wouldn't be confused with the silver quarter. Seen a Sacagawea coin lately? Probably not, unless you're a collector.

Now come the presidents, starting with a George Washington coin. Everybody loves the father of our country, but there's little reason to think they'll embrace his coin.

A \$1 coin does make great practical sense. Coins last much longer than paper money. More vending machine items cost a dollar and change – but slipping a crinkled dollar bill into a machine can be an exercise in frustration.

There is a way to force the country to accept dollar coins: Kill the dollar bill. Americans have shown no more enthusiasm for the dollar coin than they have shown for the metric system, professional soccer and electric cars.

### **MISER FITNESS**

And while we are on the subject of the lowly cent, a column submitted to us by Tony Hine, taken from Age-Defying Fitness, asks the following:

Question: How many pennies equal a pound?

Answer: 150. If you don't have any weights, collect pennies in a plastic bag or sock and use that to get started with your strength-training program.

## CONCLUSION

For the hundreds of articles published in the last week alone about the topic of eliminating the cent, just Google in any of dozens of different keywords.

Would someone explain this to me: If you are to believe the surveys that most people do not use cents, why is it that close to a billion or so are struck at the Canadian Mint each year to fill the demand? Where exactly is this lack of demand coming from?

And the people that say they do not use pennies, how do you avoid them? Every purchase I make, I wind up with a few cents, which I take home and shove into a drawer. When the bottom breaks out because of the weight, I roll them up and take them to the bank. If you think I am kidding about the bottom breaking out, come over and look at the reinforcing nails holding the bottom plate in place in my nightstand.

Why is the popular press harping on the fact that it costs more than a cent to produce a cent? In Canada, Mr. Ian Bennett, President and CEO of the Royal Canadian Mint, has stated that it actually costs considerably less.

And last but not least, the current price of copper is being given by some sources as the reason we should consider discontinuing the cent, or possibly switching to a two-cent coin. Read my lips: It makes very little difference what the price of copper is! Why? Because since 1999...and this fact will come as a complete surprise to most of you...the Canadian cent, also called a "copper" by a lot of people, has been composed of only 4.5 percent copper. The rest of the coin contains 1.5 percent nickel and 94 percent steel.

John Regitko  
Your C.N.A. E-Bulletin Editor  
Canadian Numismatic Association

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