

Savenaca Narube: Launching Fiji's new coins

Address by Mr Savenaca Narube, Governor of the Reserve Bank of Fiji, at the official launch of Fiji's new coin series, Suva, 11 December 2008.

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Cabinet Ministers
Members of the Board of the Reserve Bank of Fiji
Distinguished Guests

Introduction

Let me add my warm welcome to you all and thank you for accepting our invitation to the launch of our new coins. We believe that this is a noteworthy milestone in the history of our nation and the Reserve Bank of Fiji.

As I will explain later, the change of coins is more complicated and difficult to do than changing currency notes. The logistics and arrangements are very different. We have changed our currency notes several times and will perhaps do so every ten years or so. However changing coins is a rare thing to do.

We may be therefore witnessing a "**once in a life time**" event. For some of us, we may never experience it again. So, it is a very special occasion. We are therefore extremely glad that you could join us in this celebration. Christmas is also around the corner so it is a good time for celebration as well.

History

Coins date back to our earliest recorded history. Shells and even turtles were used for trading in the very early years. As traders came to our islands, they brought with them foreign coins. British, German, Mexican and even Russian coins co-circulated in Fiji for some time.

Fiji minted our first coins in 1934. Some of us may still remember the pennies and half pennies with holes in the middle. They make very popular souvenirs now days. I am sure many of us still remember the three pence and the shillings.

While we have changed our currency notes several times, it is almost 40 years since we changed our coins and this was from the pennies and shillings to decimal currency on 13 January 1969.

In 1969 we had only 1 cent, 2 cents, 5 cents and the 20 cents. The 50 cents and the one dollar were still in banknote or paper form. We converted the 50 cents note to coin in 1975 and the one dollar in 1995. These coins have remained basically the same as they were then up until today.

As I said, we do not change coins as frequently as we change currency notes. There is one good reason for this and that is coins do not get counterfeited as much as currency notes do. Why? There are two obvious reasons. The first is that minting coins as you saw in the video is a complicated and expansive process. Second, as you would imagine, the return from counterfeiting coins are pretty small. But interestingly these have not stopped some from setting up bogus minting presses in the past.

Why are we changing coins now?

You may ask: Why are we then changing our coins now? Let me explain:

- Firstly, prices of base metals used in coin production have increased dramatically. This increase has made central banks change the metal composition of coins. This has significantly reduced the cost of minting them.
- Secondly, technology has allowed innovative minting techniques to make more efficient use of base metals. Again, this has reduced costs.
- Thirdly, we can reduce the size of the coins. Many countries have done this. Smaller and lighter coins are much cheaper to mint. Not only that, the handling costs are also reduced.

So, we are changing our coins basically to reduce the cost of minting and handling. These costs continue to increase as demand for cash continues to rise. The cashless society is yet to fully eventuate and I think that it will not do so for some time yet.

Why are we dropping the one and two cent coins?

We have taken the opportunity to also review the structure of our coins. In doing so, we are dropping the one and two cents. This is because of the following reasons:

- One, the value of lower denomination coins like the one and two cents have dropped significantly. This is because of the increase in the prices of goods and services. As a result, the one and two cent coins do not circulate well. People simply leave them in jars, drawers and so forth. It therefore makes good sense to stop minting them.
- Two, the cost of minting the lower denomination coins are more than their face value. For instance, the cost of minting the one cent coin is four times its face value even with cheaper metal composition. So, while these coins are lying idle in jars and drawers, we spend a lot of money minting new ones. This is a clear waste of public funds.
- Third, businesses and banks continue to incur higher cost in handling and transporting fresh supplies of these coins year in and year out.

A significant change such as this always incites people's concerns. This is understandable. So let me take this opportunity to answer some concerns on the cessation of the one and two cents coins.

- Some say that it will be inflationary. I say that the experience in New Zealand and around the world clearly shows that it is not.
- Others say that, it will not allow a continuous series of currencies. I say that this is nice in theory. In reality, there is really no need whatsoever to have a continuous series.
- Lastly, others say that the gains from the multiplier effects of money will negate the loss of minting these coins. I say that the gains will be much, much more if we do not mint them. They do not circulate any way and there is no point in minting them in the first place.

I strongly believe that the benefits of ceasing the one and two cent coins far outweigh the cost of retaining them and the decision fully serves the interest of the nation.

Should we coin the two dollars?

On the other end of the coin scale, again because of the rise in prices, the lower denominated currency notes are now being converted to coins, again as a move to cut costs. The notes last for only about five years. Coins last much longer. For this precise reason we

had coined our fifty cents in 1975 and our one dollar note in 1995. In our public survey, we asked the people if they wanted to also coin the two dollars as Australia and New Zealand have done, but the answer was a clear no. Therefore, we have not coined the two dollars but my guess is that it will be seriously considered sooner rather than later.

Learning from the rest of the world

I would like to say that we have benefited a lot from the experience of other countries notably New Zealand who issued their new coins only two years ago. The Reserve Bank of New Zealand had done a lot of work to evaluate various options on coins. They willingly shared the results of their research with us. They also helped us by providing technical expertise.

I would therefore like to express our sincere appreciation and gratitude to the Reserve Bank of New Zealand for their immense assistance and support. We are honoured today to have the company of Mr. Brian Lang, former Head of Currency at Reserve Bank of New Zealand. Mr. Lang visited Fiji in 2006 to help us during the technical evaluations.

Currency review

Today, we are launching Fiji's new coins which are smaller, thinner and lighter than the existing ones.

This change has already commenced when we ceased issuing the one and two cents coins to commercial banks from October 13 of this year.

Let me put this process in its bigger prospective. We decided back in 2002 to review our entire currency – both notes and coins. We decided to work on the notes first and this culminated last year when we issued the new currency banknotes including the One Hundred Dollar note. I am glad to say that the new paper currency has been widely accepted by the people of Fiji. The use of the one hundred dollar bill was much more rapid than the fifty dollar bill when it was first introduced.

Today marks the completion of the whole currency review with the launch of the new series of coins. The entire journey has taken us about 7 years. We are pleased with the results so far. I am confident that the country will also accept the new coins that we are launching today.

Unlike banknotes, changing our coins is a much more complex process. The logistical issues are many. For instance, when we stop issuing the one and two cents, there was a rush to return these coins to the commercial banks even though they are still legal tender. We have, up to now, collected around 120 tons of one and two cents. This is a lot of weight to transport. It also requires a lot of space to store 120 tons of coins. As we collect more old coins, these logistics will intensify.

Cabinet approval

I wish to assure everyone that we have obtained the necessary approval under the law. Under the Reserve Bank of Fiji Act, only the approval of the Minister for Finance is required before we can change our currency either they be notes or coins. We have kept the Minister and Cabinet fully informed of the progress throughout this currency review. We sought and obtained Cabinet's approval of the new coins and the cessation of the one and two cents on 11 March 2008.

Minting

In March this year, the Board awarded the tender to the Royal Canadian Mint for the production of a five year supply of our new coins. The contract is valued at approximately 7.8 million Fiji dollars (US \$4.2 million). Royal Canadian Mint has minted Fiji coins in the past and is recognised as one of the leading and innovative mints in the world. We are extremely happy to continue this association with the Royal Canadian Mint.

How much will it save Fiji?

Our new coins will be on average nine (9) percent smaller, forty three (43) percent lighter, and twenty one (21) percent thinner.

How much savings will we get from these changes in our coins?

If we were to produce the same quantity of our current coins, it would have cost us about eight million Fiji dollars more. We save five million dollars by not minting the one and two cents coins and a further three million dollars by reducing the size, weight and metallic composition. These savings will also apply when we re-order these coins in future. Hence, if we assume that we will not change these coins in another forty years, these savings can amount to over 100 million dollars.

Savings in handling, transportation and storage

The benefits and savings do not end there. Due to the significant reduction in size and weight of these new coins, individuals and businesses will save substantial costs in terms of transportation, handling and storage.

Assistance for the visually impaired

Some have expressed concerns that the visually impaired will find it more difficult to differentiate the value of the new coins. But, as we did in the new currency notes, we have taken into account the needs of those of us that are visually impaired. For the first time, we have introduced the varied edge designs. These will serve as an effective identification and differentiating feature for the visually impaired as well as for the general public. Coins can now be differentiated not only by size but also by their edgings. Different coins will have different edgings. This will help greatly when the coins are about the same size. The five (5) cents coin will now have a plain edge while the ten (10) cents will have the serrated or rough edge. The twenty (20) cents being the closest in size to the ten (10) cents will have intermitted serrations.

Designs

Let me turn briefly to the designs on the coins. When we changed our currency notes we also changed their designs. However, for our new coins, we have retained the existing designs both on the front and back. Why? We think the current designs are still relevant and appropriate. They reflect directly on our culture and heritage. In addition, leaving the designs unchanged makes the change to the new coins much easier. They make the new coins easier to identify.

Multi-ply technology and metal composition

The metal composition of our coins is now different. Our new coins are manufactured by Royal Canadian Mint in "multi-ply" layers. Multi-ply technology is patented by Royal Canadian Mint and offers greater security, reliability and durability at reduced minting costs.

Multi-ply technology gives the coins unique electromagnetic signatures (EMS) which is how modern coin vending machines are programmed to differentiate different denominations. The technology enables coins of similar size and weight to have different electromagnetic signatures which allows a vending machine to be programmed to accept one and not the other. Simply put, you cannot put a foreign coin into our vending machines anymore. These machines can be easily programmed to recognise and accept Fiji coins only. These would give fewer headaches to city councils and vending machine operators let alone increase their revenue take.

Are what we saying really work? Yes they do. We have already tested these coins in parking meters and vending machines and we have not encountered any problem at all.

Durability

I mentioned that we have achieved all these improvements at lower cost without sacrificing durability. Rigorous testing has shown that these coins are resistant to corrosion in tropical country like ours and to household products. On average, these coins have a life span of approximately 25 years. These test results have been corroborated by independent tests conducted by the Reserve Bank of New Zealand during their evaluation.

Public awareness

Such a major change as this requires a comprehensive public awareness campaigns. We have started this already. After the launch today, we are going all out to inform the public about our new coins and what we are going to do in the next three months. The campaign will commence with newspaper advertisements and supplements in December. Television advertisements will start in January 2009. All these will be conducted in three languages. We will also send teams to the rural areas to ensure the message filters down to all sections of the community.

Issuance

What are our plans to implementing the change over to our new coins?

The new coins will be issued into circulation on 13 January 2009, the 40th anniversary of decimal currency in Fiji. The new and old coins will co-circulate for about three months until 31 March 2009. This gives the Reserve Bank of Fiji time to work with the commercial banks and the public on the logistics of extracting the old coins from circulation and replacing them with the new. We have received excellent cooperation from the commercial banks during the cessation exercise and we look forward to their continue cooperation.

When we changed currency notes last year, the old and the new notes circulated side by side up to now. You may then ask: Why can we not do the same things for the new and old coins? The answer is that the new coins are of very different dimensions and weight than the old ones. If the old circulate with the new, this will create huge problems in identification, counting, handling and to some a lesser extent coin machines. That is why we will only allow a short time for the two sets of coins to circulate together before we withdraw the old ones.

Old coins

Our old coins, including the 1 and 2 cents coins will be officially demonetised on 31 March 2009 meaning they will cease to be a legal tender from 01 April 2009. From then onwards you can only get value of these old coins from the Reserve Bank of Fiji. As we approach this date, the public will be reminded through our public relations exercise.

What will we do with the old coins? We intend to sell them for their metallic content and we have received several interests in this area.

Concluding remarks

I conclude by saying that I believe we have an excellent set of currency notes and coins which can fully serve our needs well into the future. The new currency notes have been well received. I am confident that new coins will also receive the same acceptance.

I now have much pleasure in officially launching the new coins.

I wish you all a Merry Christmas and a very Happy New Year.