



The Presidential Dollar Coin

WRITTEN BY
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Here we go, again.

READY OR NOT, HERE WE GO AGAIN. On February 15, the US Mint will begin to release golden dollars to honor deceased US presidents. A new coin will be released every 3 months. In 2007, we will see George Washington, John Adams, Thomas Jefferson and James Madison. Abraham Lincoln will appear in 2010, FDR in 2014, and Gerald Ford in 2016. The flow of the new coins is assured for at least 10 years.

Some may say, "Fool me once, shame on you, fool me twice, shame on me." So, if we saw the Susan B. Anthony dollar in 1979 and the Sacagawea in 2000, why should we have faith in the federal government to stay with the program this time? Let's look at what went wrong in 1979 and 2000 to see whether the same mistakes will be repeated in 2007.

1. Why bring out a Presidential Series of Golden Dollars?
2. How can you get the most from the new Golden Dollars?

3. Will they stop printing paper dollars?
4. Will the new series work in your multi-coin acceptors?
5. Will you be able to get "pure" boxes and bags of new coins?
6. Will the SBA's and Sacagawea's remain in circulation?

There are at least two reasons for the new Presidential Dollar Coins. First, there really are some who believe that a dollar coin will become accepted in daily transactions as people are exposed more and more and gradually discover its utility. The logic is that when parking is \$1, you'd probably rather insert one dollar coin than 4 quarters. I know that is true in the self-serve carwash business. A customer will spend more money if the basic unit is \$1. (This may still be the minority view, but more and more carwash operators are using \$1 tokens as their basic unit).

The other reason is that the US Mint makes money when we take coins out of

circulation. Look at the ten year program of state quarters. It is very successful, and making the US a lot of money. We can expect the same thing to happen when the Presidential Series of Dollar Coins debuts. People will want to collect them.

You can look at that as good reason to use the new coins, or not to. Sure, if you dispense dollar coins as change instead of quarters, people will come to your wash to get the coins. It will be a draw to your establishment. Yes, you will have to make more trips to the bank to maintain supply. Burden or benefit? It's all in how you look at it.

You can use the new coins as a direct replacement for quarters; just re-compute your meter time in dollar increments. That's pretty easy. Of course, just as some people buy out your quarters for the coin laundry, they will buy the dollars and not wash their car. However, it was a draw to your wash.

Another approach is to only use the

\$1 coin for change when someone buys a carwash. Use the coins in your entry cashier change hopper instead of quarters. Sure, some may use a \$20 bill to get a bunch of the coins, but you also sold a carwash. The task of replenishing the hopper feels like less of a bother when your sales are up.

If you have a two-hopper changer, use one for tokens and one for dollar coins. Then the only way someone can get the dollar coins is to first buy tokens good only at your wash. We are, after all, in the carwash business, not the dollar coin business.

Why print paper bills? There are two reasons, one public and one secret, but obvious. The public reason is that Crane's Paper supplies the Bureau of Engraving and Printing with the special cotton bond paper and has the political clout to protect its market. That's probably true, but Crane's should also be concerned about the increasing use of plastic in commerce and the reduced demand for paper bills of all denominations.

In the 1940's Coke was a nickel. In the 1960's a dime would quench your thirst. In the 1980's the quarter became the work horse of the vending industry. Today, soda in a vending machine is \$1. The basic unit for self-serve carwashes is still the quarter, but in multiples: \$1.50, \$1.75, even \$3.00.

Politicians don't deliver bad news. No one wants to announce the fact that the dollar has the utility of two-bits. No one wants to be reminded that the wage gains over the last fifty years are largely fictional when you try to buy something. So, why should the government spend millions of dollars each year printing paper dollars that last 18 months, when dollar coins cost 10 cents each and last for 30 years? Why base the vending industry on crumpled paper bills that frustrate the customer at the point of sale, and force us to buy bill acceptors that cost 2 to 6 times more than coin acceptors, which are much more reliable, (even with the gains made by the bill acceptor manufacturers). Why? Don't ask. It's not about logic or fiscal responsibility. For the foreseeable future, we will have both paper and coin dollars.

The new coins will have the same metallic fingerprint and will be the same size as the SBA's and Sacagawea's. The new coins will have an additional coating to reduce tarnishing. They should be

readily accepted by your existing \$1 coin equipment. This is good right? Well, yes and no.

In hindsight, we, the vending industry, may have made a mistake when we insisted that the Golden Dollar be the same as the SBA. No doubt the failure of the Sacagawea is due to co-mingling with the SBA. If the Golden Dollar were a little different in size, we would not be sorting the mixed shipments today. If the Golden Dollar were distinct, machines could sort them and put the SBA's in a suitable resting place. But, they are the same, and we will continue to see mixed shipments. But wait...

The US Mint has persuaded the armored car carriers, Wells Fargo, Dunbar, Brinks, etc., to deliver "pure" \$1,000 boxes of rolls and \$2,000 bags of Presidential Golden Dollars for an introductory period of each new release. You will find that your bank will get you pure GW Dollars for the first month, and then mixed boxes for two months. In May, you'll find pure John Adams, then mixtures in June and July. And so on. Money doesn't grow on trees and the stork doesn't deliver coins to your local bank. The government doesn't do it either. Here's the chain:

1. The US Mint produces circulating coins in Philadelphia and Denver.
2. The US Mint sells them to the US Treasury, at face value, no returns.
3. The Treasury distributes coins to its Federal Reserve Banks around the country.
4. Each Federal Reserve Bank has a Coin Room.
5. The Coin Room supplies huge bags, really heavy, like move with a fork-lift heavy, to:
6. The armored car carriers, who have their own counting houses where they roll the coins into familiar colorful rolls.
7. The armored car carrier takes orders from the local banks that they serve and supply each branch from their inventory. They also collect the excess bills and coins from each branch and take it back to their counting houses.

Now you see how it really works. Your local branch bank sends money by a carrier who put it in inventory for redistribution the next day to some other branch bank. It really doesn't matter how many pure Golden Dollars were coined by the

Mint, or are sitting in the Federal Reserve Coin Room, if your bank's carrier has an abundant supply of SBA's mixed with Sacagawea's in stock that is what will be delivered to your local bank. It is simple business economics for the armored car carriers. Why should they buy new stock of Golden Dollars when they have thousands of SBA's they can't unload? The Government isn't stuck with the inventory of SBA's. The carriers are literally "left holding the bag."

Here's the twist. The Mint is going to have \$1,000 boxes of rolled coins and \$2,000 bags of loose coins. For each new issue, the carriers will buy from the Federal Reserve Coin Room boxes and bags of new Presidential Golden Dollars. They will deliver new coins to banks that request them for 6 weeks. But they are still stuck with the old inventory and will deliver it to banks after the initial exposure of each new coin.

Your local bank can pre-order new coins two weeks before the introduction date and for one month after that and the carriers will provide new coins during the introductory period. To be assured of supply you need to ask your bank on February 1 to place an order for you.

My plan is to stock up on each new coin at the beginning of each 3 month period. Just don't tell anyone else.

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For more information:
<http://www.usmint.com>

For Special Ordering Bags of Presidential Coins, show your banker the Fed-Flash January 1, 2007 issue, "Customers who wish to order \$2,000 bags of mixed \$1 coins or Presidential \$1 coins should contact their local Federal Reserve Bank office to place a manual order." <http://www.frb services.org/FedFlash/2007/010107/national.html>

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