

MINT NEWS QUARTERLY™

VOLUME 3 / DECEMBER 2016



German Blanks Acquisition



On 7 August 2015, the Russian blanks producer Gurt received an order to produce the blanks for all German 1 and 2 euro cent coins. This meant more than half a billion 1 euro cent blanks with an optional quantity of up to 950 million, and close to half a billion 2 euro cent blanks with an optional quantity of up to 840 million pieces.

The reason for the contract award to Gurt was their attractive offer – with the usual restrictions, of course. For instance, there had to be a statement to assert that the supplier had paid all mandated taxes and charges as well as all dues to the statutory social insurance. Obviously, there were also the current embargos and political sanctions to which Russia is subject.

In terms of pricing, Gurt has numerous advantages. With an average gross salary of €500 per month in 2015, Russian salaries are very competitive. Energy prices are also much lower than in other countries. Thus Gurt was able to offer a price that was low enough to receive the complete order, which normally would have been split between the two cheapest suppliers.

The company Freiburger EuroMetall made a plea against this. According to the press office of the Bundesamt für zentrale Dienste und offene Vermögensfragen (Federal Office for Central Services and Unresolved Property Issues), the plea was based, among other things, on the Russian embargo.

'All legal matters have been thoroughly investigated. The economic sanctions of the European Union, especially those concerning the Crimea crisis, have been assessed in great detail. It was concluded that the regulations apply to deliveries from the EU but do not include the import of objective coin blanks. Thus objective regulations were not applicable in this case.

'There were also no traces of further personal or factual entanglement or other reasons, according to EU law and especially the existing economic sanctions, which would stand against the contract award.'

So said the press office, omitting that this was probably not only about the embargo since in February 2015 the Moscow Post reported that Gurt was mixed up in tax evasion and misappropriation of funds during its production of blanks for Goznak, which add up to amounts of half a million roubles.

Nikolaj Polikarpov reported that 'it has come to light that FGUP Goznak had rented out their facilities to Gurt for the long term in 2008. In the years 2009-2011 Gurt was given the order to produce coin blanks ten times in a row, which meant that they received their contractual 4.1 billion roubles from Goznak.

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Every Year US Citizens Throw \$62 Million into the Garbage

The waste recycling company Covanta Holding Corp has made it into the US headlines by informing the press that US citizens throw a total of \$61.8 million worth of change into normal household waste every year.

This number is based on a projection Covanta has calculated according to their garbage incineration plant in Philadelphia. There are \$360,000 worth of nickels, dimes and quarters sifted out of the garbage every year: 25 cents worth of coins per ton of garbage. Normally they are sent straight back to the Mint of Philadelphia.

They can do so, because the US started the Mutilated Coin Redemption Program in 1911, which enabled citizens to exchange large amounts of damaged coins at the mint. They receive \$19.84 per pound for dimes and quarters and \$4.54 per pound for nickels, which is a lot more than the actual value of the metal.

The mint then melted down the regained material and minted new coins from it. But since November 2015, this kind of refunding has no longer been possible. The cause for this was fraud on a large scale.

Three companies imported \$5.5 million worth of forged US coins from China in order to exchange them at the US mints. The exchange-program of the US mints will not resume business until new methods for preventing such fraud are developed.

That is why Covanta is sitting on a big pile of change, because it can neither return the damaged coins to a bank, nor can it melt them down according to title 18, U.S. Code § 331. And throwing them in the garbage would not work either – not at Covanta, after all.

RDM Sold to Belgian Groep Heylen

Effective 22 November 2016, the shares of the Royal Dutch Mint have been transferred to the Belgian Groep Heylen. The purchase price amounted to €3.6 million. After the deduction of debts, the Dutch state will net €2.4 million.

In April this year, the Dutch Finance Minister announced the Cabinet's decision to sell the Royal Dutch Mint. Now a buyer has been found and it is the Belgian investment group Groep Heylen.

The price of €3.55 million does not include the buildings that were sold to another private buyer. Therefore, the Royal Dutch Mint, with its workforce of 90, will move to a cheaper location near Utrecht in the foreseeable future.

Part of the deal includes the extension of a contract to manufacture Dutch circulation and commemorative coins. Though having been planned to be tendered out from 2017 onwards, it will be up to the Royal Dutch Mint, up to and including 2018, to facilitate a smooth transition.

Furthermore, the number of annual commemorative coins to be released has risen from two to four. Counterfeit deterrence and the destruction of invalid coins, previously taken care of by the Royal Dutch Mint, will be undertaken by the Dutch Central Bank.

The reason for the latest developments is the fierce competition that affects more and more mints. It forces them to calculate so tightly that even minor technical problems can cause major losses. To the Royal Dutch Mint, an order from the Central Bank of Chile proved fatal.

During transport, a shipment of pesos developed dark oxidation stains which resulted in a high contract penalty. That pushed the company into the red and cost the Mint's CEO Maarten Brouwer, who is highly respected by the international numismatic community, his job. Although the company structure had been privatised, it is still the Dutch state that covers the debts of the Royal Dutch Mint, which is why the Dutch government decided to sell the enterprise.

20 potential buyers had registered themselves. Ten made an offer. Four bidders were shortlisted. The Dutch Finance Directorate decided in favour of Groep Heylen. This puts an end to a century-old tradition (the national mint in Utrecht dates back as early as 1567).

The buyer, Groep Heylen, is a Belgian investment group that presents itself as relaxed, creative and innovative. It originated in Antwerp East in the late 1980s. Then in his early 20s, Wim Heylen invested in a sales chain for pet food and accessories as well as in an innovative building project.

Funding building projects has remained a pillar of Groep Heylen. Bearing the name Antwerp East Port, it is currently building a large complex for the port of Antwerp.

The other branch of Groep Heylen has invested in businesses ranging from golf clubs to object design, and from an exclusive food retailer to the manufacturer of coin-like products. It already owns three companies in the coin and medal production sector: Royal Blanking International, a manufacturer of base-metal and electroplated blanks, based near Antwerp; Mauquoy Token Company, a manufacturer of tokens for the private market which refers to itself as Europe's largest manufacturer of metal tokens; and National Tokens, which manufactures souvenir tokens that are sold through machines on site.

With the Royal Dutch Mint, Groep Heylen may well establish itself on the international market for circulation coins and benefit from synergy effects resulting from the collaboration with Royal Blanking International.

In an official statement, the Royal Dutch Mint said that it considered itself lucky since continuity was ensured with the new owner. It assured its customers that nothing will change for the collector for the time being because subscriptions and orders will continue to be processed by the Royal Dutch Mint.

German Blanks Acquisition *(Continued)*

'The company Gurt had made contracts with Torgovaja kompanija Avanti, Tehnoservicegroup, Kommerzkapital and a series of other companies, which turned out to be letterbox companies. During preliminary investigations, the investigation panel also ascertained that instead of manufacturing the blanks themselves, the company management of Gurt was ordering them at the ZAO D&K and the Mezhhregionalnaja metallurgicheskaja kompanija.

'These companies sold the blanks to the letterbox companies and they gave the blanks to Gurt who then sold them to Goznak, but the manufacturing companies sold the blanks for a different price than that which Gurt received from Goznak.

'Thus a total of 3.5 billion roubles of the 4.1 billion roubles, paid by Goznak, was transferred and then branched away as illegal earnings. Allegedly, Gurt's profit from the contract under which commission is payable on a sale was only between 1.5% and 5% of that sum. Investigators assume that tax evasion was the reason for this.'

Another Russian newspaper, the Kommersant, reported on 1 June 2015 – two months prior to the German order to Gurt – that criminal investigations against Anatolij Kluban, the CEO of Gurt, had been initiated.

At the time, he was suspected of owing 686 million roubles worth of taxes to the revenue board and of detouring 3.5 billion roubles of the payment that had been by Goznak as black money. Charges have not been pressed yet, but Anatolij Kluban was a suspect during the investigations. Meanwhile, according to an expert in the Russian coin market, a condemnation has been issued.

Under German law, suspects are innocent until proven guilty. It is perhaps for this reason that the articles were not of vital interest.

The business paper JUVE summarises the processes: 'According to the 2nd Federal Public Procurement Chamber, Freiburger EuroMetall only expressed suspicions that could not be substantiated.'

Freiburger EuroMetall was forced to retrieve their proposal for further investigation. The order was given to Gurt. It was thus set that the blanks for the German 1 and 2 cent coins should be produced in Russia.

Insiders in coin production were surprised when trucks with 1 and 2 cent blanks arrived in front of a well-known electroplating company in Menden in the summer of 2016. The explanation could be found on the internet.

On 4 June 2016 the electroplating facility of Gurt had burned to the ground. In order not to risk contractual penalties, Gurt had promptly ordered a German company to galvanise the German blanks which should have been produced entirely in Russia. It is best not to think about the various problems that arose from this interesting situation at customs.

Great Britain is Preparing for the New 1 Pound Coin

Great Britain will introduce the new £1 coin in March 2017. *Mint News Quarterly*™ asked Paul Binning of The Royal Mint about the enormous task to help businesses get ready for the conversion.



Paul Binning,
Head of Marketing
at The Royal Mint.

Q: You have started a campaign especially for businesses. What will be the main problem for retail businesses?

A: The new 12-sided £1 coin is being introduced in March 2017, and at The Royal Mint we've already been working with key members of industry for more than three years, keeping them informed and listening to their concerns to hopefully allay any major problems.

All retailers will need to check whether they operate equipment that handles the £1 coin. This can vary dramatically from shop to shop, depending on size. Almost everyone has a till, but then there might be automated self-service checkouts, vending machines, photo booths, children's rides and a myriad of other equipment both in the main shop and the back offices and staff areas that need checking. The bigger retailers will also potentially have parking meters on their land to update too.

We've worked hard with the whole supply chain, especially the suppliers of this hardware, to ensure they're ready to upgrade, and encouraging the retailers to talk to their suppliers to make the necessary arrangements.

Retailers will then need to train their staff on the features of the new £1 coin in order that they recognise them after the new coin's introduction. We've produced materials to support staff training, and these are available to download for free at www.thenewpoundcoin.com. This includes leaflets and videos.

Retailers also need to think about and agree with their bank or cash in transit (CIT) provider how they will return the current £1 coin and receive the new £1 coin during the six-month co-circulation period.

Q: You write that you are working collaboratively with a number of industries and key businesses to ensure a smooth transition. Can you state what kind of industries and businesses are involved and how long has been the run-up period to ensure this cooperation?

A: Since before the announcement in March 2014 that a new £1 coin was going to be introduced, The Royal Mint has been working with Her Majesty's Treasury in the UK and consulting with many aspects of the currency handling industry. This includes key organisations in the cash services industry, coin handling equipment manufacturers and representative organisations and companies in sectors with high cash transactions, eg. retail, transport and leisure.

HM Treasury launched a ten-week consultation with the public and industry in 2014 and the feedback received has been critical in planning for the introduction of the coin.

A big benefit is that we were to clearly identify a need for the introduction of a new £1 coin right from the start (a 3% counterfeit rate of the round pound coin) so the vast majority of stakeholders have bought into, understood and thus been appropriately supportive in getting us to this point.

Q: How will you manage the period of co-circulation concerning vending machines?

A: This is being managed by the vending machine manufacturers, but with the closeness of the relationship we have built up in the past few years with the European Vending Association (EVA) and its members, we are confident they know what is required and they have publicly stated they understand the need for change.

The co-circulation period is a slightly different challenge to the introduction itself as some mechanisms only have eight slots for the eight current coins to drop into, but in many instances plans and upgrades are already completed and each will have different arrangements with their customers as appropriate to them.

Q: What would you describe to be the major challenges in changing the most important coin of a nation?

A: The most important aspect of introducing any new coin is ensuring that the public recognises, accepts and is able to use the new coin when it is introduced. As well as a good public education campaign, it is imperative that the entire cash handling industry is prepared for the new coin, and understands their role within the launch.



The new British 1 Pound coin.

Within the UK's cash handling industry, there are more than five million businesses registered, so carefully thought-out communication and liaison with the key sectors is required to ensure that they understand what they need to do prior to the coin's introduction. This includes updating equipment, training their staff and thinking about how the money will flow once the new coin has been introduced. The Royal Mint has been central to this for a number of years now and understands its role in helping the country's currency system remain stable.

The other key challenge is retrieving all of the old coins from circulation – approximately 1.6 billion of them. To ensure integrity, it has been clearly identified that the old £1 coin, which has been counterfeited at rates of around 3%, must be withdrawn and so we have been planning how we retrieve old coins from circulation within a short period of time.

Q: Do you have any facts or figures, like how many retail businesses are concerned? How many vending machines have to be modified?

A: The Automatic Vending Association (AVA) indicates that there are over 420,000 vending machines around the UK. Many of these will need to be adapted for the new £1 coin.

The UK's Office of National Statistics (ONS) research states that there are approximately 300,000 retail businesses operating in the UK. Staff working in the retail sector all need to know about the new £1 coin.

Q: Which kind of media are you using in order to get in touch with the various target groups?

A: We've tried to use anything and everything we can!

On a serious note, to get out to more than 60 million people, we're having to make the releases as interesting and fun as possible. Introduction of new currency excites people – and, therefore, the media – so we can use that to our advantage. Interest has been high ever since the initial announcement when we made the front page of many of the UK's national newspapers. The fact that it has our specially-developed new 'secret' security feature in the coin has added to the media's intrigue.

More specifically, for the key target groups we have identified the main trade media to engage with target industries (e.g. Retail Week, Parking News, The Caterer, etc).

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The company logo in the garden, a pun that only works in German. Der Sack (= sack / pouch) im Kies(s)elbach (= in the pebble creek).

125 Years: Sack & Kiesselbach

The Sack & Kiesselbach Company was established in 1891 to produce steam engines. Today, it is the best-known manufacturer of oil-hydraulic presses for the minting industry in the world. On this occasion, Sack & Kiesselbach has inaugurated its new company building.

In 1891, Hugo Sack and Clemens Kiesselbach founded a plant for the manufacture of steam engines. Both men were skilled inventors. Hugo Sack (1860-1909), who was to become renowned mainly in the English-speaking world, had worked in Bilbao and, after having quit the firm in 1899, revolutionised roller technology. Clemens Kiesselbach (1858-1931), who controlled the fate of Sack & Kiesselbach until his death, developed the steam engine technology further. At his company headquarters in Düsseldorf-Rath, he even built the then biggest steam engine in all of Europe, with its 15,000 HP, for a steel rolling mill in 1912. For that, he received the title of Dr Ing h.c. at the TH Aachen.

Clemens Kiesselbach was not only a technician. He was a member of the Düsseldorf City Council and a not untalented composer. A street in Düsseldorf was named after him. He ranged amongst the most influential businessmen in the Germany of the Gründerzeit era. In 1911, his only daughter married Carl Emanuel Knorr, grandson of the founder of the well-known food business.

The famous bouillon cubes were invented in the year in which Clemens Kiesselbach built his record steam engine. His great-grandson Claus-Günther Knorr is currently CEO of Sack & Kiesselbach.

In 1927, Sack & Kiesselbach manufactured the first hobbing press. After World War II, this side product became the most important sales hit. Today, more than 1,500 Sack & Kiesselbach presses are operating throughout the world. Their individual parts being particularly long-lasting, the presses only need minor updates in regards to modern demands to be in use for many decades.

Although the presses proper have not been manufactured at the Düsseldorf headquarters since 1974, the entire technological development and construction are pursued there. Since March 2016, the headquarters are no longer based in Düsseldorf-Rath but in Meerbusch, in a renovated farmhouse.

Sack & Kiesselbach takes pride in placing the customer's requirements first with every product. 96% of the presses manufactured by Sack & Kiesselbach are individual solutions tailored to the customer's needs. Coming from 52 countries, the customers not only represent the minting industry, but also automobile suppliers and pharmaceutical companies.

This last category in particular appreciates the precision of the Sack & Kiesselbach presses that operate with a tolerance of only 2/100mm and a pressure of up to 35,000 kN.

On the occasion of its 125th anniversary, Sack & Kiesselbach has gifted itself with new headquarters in an ambience that stimulates creativity. Claus-Günther Knorr himself created the Japanese garden that may well be understood as a reference to the Sack & Kiesselbach oil-hydraulic presses: strength lies in calmness.

MINT NEWS QUARTERLY™

Publisher: Currency Publications Ltd in association with Monea.



Editor:
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Translator:
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Mint News Quarterly™ is produced every three months and only distributed with *Currency News™*.

10 Windmill Business Village,
Brooklands Close, Sunbury,
TW16 7DY, UK

www.currency-news.com



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New 1 Pound Coin (Continued)

We have also targeted different business sectors through social media by engaging key influencers and using targeted boosts for our key messages about upgrading equipment, training staff and making arrangements for the co-circulation period.

Q: *Could you repeat some details of the timetable? When did you get in touch with the vending industry and other key businesses? When did you involve retailers? When will the campaign for the broad public start?*

A: By the time of the introduction of the new coin, The Royal Mint will have been liaising with the key stakeholders including manufacturers and the cash industry for over three years.

The Business Communications Campaign commenced in October 2016, five months before the introduction of the new coin, and the public communications campaign will commence in January 2017.

This will all continue right up to the launch date, through the initial bedding-in period and right throughout the co-circulation period to ensure the smoothest possible transition and to make sure we maximise the retrieval of old £1 coins. Once the old coin is demonetised, it will not be possible to use it in every-day transactions.