Big Changeover Down Under

New Coinage Creates An Upsurge Of Collectors



New Zealand's small change was recently downsized, and the 5-cent coin was eliminated.

by Dom Yanchunas

For a change, the Kiwi coin hobby is flying high.

New Zealand coinage in 2006 underwent a major transformation that included the introduction of three smaller plated-steel coins to replace four cupro-nickel coins that had been jangling around in pockets and purses since 1967.

The nation's central bank eliminated the five-cent coin altogether in the transition, which was accomplished in a lightning-fast period of just three months. The new 10-cent, 20-cent and 50-cent coins are not only lighter-weight, but they also are much cheaper for the government to produce.

The reform necessitated a hugely publicized "recovery" period during which New Zealanders needed to spend their old coins or trade them in at a bank. As the new coins entered circulation July 31, the Reserve Bank announced that the old coins would no longer be legal tender after Oct. 31.

That sent 3.4 million Kiwis fishing behind couch cushions, sweeping under carpets and cracking open piggy banks to retrieve any loose change they could find. The Reserve Bank said at least 308 million coins—about 30 percent of all of the coins ever issued by New Zealand—were turned in during the campaign.

The flurry of activity also turned more New Zealanders into coin collectors, according to the national numismatic society. Average New Zealanders gathered a few old coins to keep as souvenirs, and interest was sparked in assembling collector sets of both the old coins and the new ones.

One accidental rarity created by the timing of the announcement—the 2004 five-cent coin—became a national sensation, prompting young and old to inspect their pocket change and peruse the jaw-dropping prices on online auction sites.

"We have seen an upsurge," said David Galt, president of the Royal Numismatic Society of New Zealand. "It's good to see the new coins, and it has prompted a lot of additional interest in coin collecting. I know several people who have decided to put away sets of the old circulating coins, which did not used to generate a lot of interest."

The overhaul is New Zealand's first coin change since it eliminated its one-cent and two-cent coins in 1989 and introduced $1 and $2 coins in 1991.

RESERVE BANK OF NEW ZEALAND



A few years later, the Reserve Bank began considering ways to reduce the size of its 20-cent and 50-cent coins. Then came a proposal to eliminate the five-cent coin altogether. By 2006, it was costing the government seven cents to produce one five-cent coin, said Brian Lang, the Reserve Bank's currency manager.

Soon, government officials suggested it was time to create cheaper versions of all of the nation's small-change coins, which were 75-percent copper and 25-percent nickel (the same alloy as the U.S. five-cent piece).

On further reflection, they thought: Why not make all of those changes at the same time?

The government proposed a period during which the old coins would be demonetized and removed from circulation while new plated-steel coins were introduced.

The 2004 decision to pursue the wide-ranging transformation looks all the wiser now that the cost of base metals has soared over the past two years.

"The rise in metal prices really made this decision a no-brainer," Lang said. "We were also pretty confident that the public would like the smaller and lighter and easier-to-handle coins."

Many U.S. economists wish their federal government would do with the Lincoln cent what New Zealand has done with its five-cent piece—and perhaps eliminate even the Jefferson nickel or at least find a cheaper metal formulation. But demonetization and recall of coinage are undertakings with which Americans are utterly unfamiliar.

The notable exception in U.S. history remains the case of the 19th-century Trade dollar.

Beginning in 1873, the U.S. minted Trade dollar coins as a tool for promoting commerce with China while creating a new outlet for the huge silver surplus that resulted from the discovery of Nevada's Comstock Lode.

When the Far East trade couldn't absorb enough of the coins and the price of silver continued to decline, Trade dollars were dumped into the domestic marketplace. As many as 10 million of the coins eventually circulated in the U.S. economy.

"Under the terms of the 1873 law, the Trade dollar was made legal tender in this country for sums up to $5, but this was intended for legislative purposes only," *COINage* Contributing Editor R.W. Julian wrote in the December 2006 edition of this magazine. "The legal-tender status of the Trade dollar was repealed by Congress in July 1876 after too many of the coins had gone into domestic use."

During World War II, the U.S. prepared for two potential demonetizations that never became necessary. In Hawaii, U.S. currency was overprinted with a brown seal and the large word "Hawaii" so it could be demonetized quickly in the event Japan invaded the island territory. U.S. troops in North Africa were paid with notes bearing a yellow seal, just in case large quantities fell into enemy hands.

Another significant example of a demonetized—or at least *un*-monetized—U.S. issue is one of the nation's most legendary and controversial coins, the 1933 Saint-Gaudens double eagle ($20 gold piece).



When President Franklin D. Roosevelt took steps to remove the nation from the domestic gold standard days after taking office in March 1933, the U.S. Mint already had produced 445,500 of the 1933 double eagles, but hadn't yet circulated them. The entire mintage was melted, except for two examples that were saved as museum pieces and at least 20 known coins that left the Philadelphia Mint under mysterious circumstances.

One of the wayward '33 "Saints" was purchased in 1944 by Egypt's King Farouk. Because an export license had been issued for that transaction, federal lawyers decided, more than half a century later, that the so-called "Farouk specimen" had been transferred from government custody to private ownership under legitimate circumstances—and was the only example to do so. At a 2002 auction conducted jointly by Sotheby's and Stack's, the coin sold for $7.59 million—the highest price ever paid for a single coin at a public sale.

When 10 more of the 1933 gold pieces turned up in 2004 in the hands of a Philadelphia woman—the daughter of a longtime jeweler in that city, federal officials seized them as contraband. As of this writing, those coins remain the subject of a legal dispute over their ownership.

Coincidentally, 1933 also was the first year that New Zealand produced its own official coins. New Zealanders, as colonial subjects, had used mainly British coins before that, but coins of other nations entered New Zealand as well.

Even U.S. coins circulated widely in New Zealand in the 1840s, due to frequent visits from American whaling vessels and a shortage of base metals. It can be said that New Zealand's first demonetization occurred in the mid-19th century, when tradesmen's tokens were withdrawn.

The $1 and $2 coins were not changed at all.

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RESERVE BANK OF NEW ZEALAND; PERRY CASTAÑEDA LIBRARY MAP COLLECTION, UNIVERSITY OF TEXAS





The Trade dollar is one of the few coins that the U.S. has demonetized or recalled.

Perhaps history's most wide-ranging demonetization is the one associated with Europe's Economic and Monetary Union and the debut of the euro on Jan. 1, 1999. Venerable national currencies—the Deutsche mark, French franc, Spanish peseta and Dutch guilder—were gradually replaced by coins of the new continent-wide unit.

That massive switch-over impacted 300 million Europeans. Former European national currencies ceased to be legal tender as of Dec. 31, 2001. Europeans who have a few pieces of any of 12 defunct national currencies can still trade them in—at national central banks only.

New Zealand officials used Europe's transformation as a guide to planning their own. Reserve Bank experts traveled to Ireland, Belgium and the Netherlands for fact-finding. Europe's competent handling of the huge undertaking made New Zealand officials confident that they could engineer a transition period that would be orderly and speedy.

"We studied the euro changeover rather closely," Lang said. "In Europe, they actually broke the mold and the home countries had a rather short changeover period—not more than six months."

That was good news for New Zealand merchants, who hardly relished the headache of separating two versions of coins in their cashboxes.

"The New Zealand Retailers Association said they didn't want to handle two sets of coins for too long," Lang said. "The vending industry were very keen for us to give them the coins at least six months in advance, and we did it all in one go, instead of spreading it out."

The Royal Canadian Mint produced the 2006 New Zealand coins. While introducing new sizes and metal content, the Reserve Bank kept the existing designs.

Formerly, New Zealand's coinage system mirrored that of the United Kingdom, and it still uses a likeness of Queen Elizabeth II on all obverses. New Zealand dropped the traditional British denomination system and decimalized its coinage in 1967.



The reverses remain the same. The 10-cent coin features a Maori mask. The 20-cent coin has a Maori "pukaki" carving. Capt. James Cook's barque *Endeavor* sails in front of Mount Taranaki on the 50-cent coin's reverse.

"The initial thrust for the whole change was to downsize our 50- and 20-cent coins, which were very large and were really legacies of pre-colonial days," Lang said.

The diameter of the new 50-cent coin is 24.75 millimeters, compared with 31.75 for the old 50-center. The 20-cent coin has shrunk to 21.75 millimeters from 28.58 millimeters. Both coins are silver in color.

The copper-plated 10-cent piece is now 20.5 millimeters, down from the old diameter of 23.62. It is now the nation's lowest denomination—worth about 6.7 U.S. cents.

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The $1 and $2 coins are staying exactly the same. The reverse of the $1 features a kiwi, the flightless bird that is New Zealand's national symbol. The $2 coin depicts another bird, the rare and revered kotuku, or white heron.



The now-defunct five-cent coin, which was 19.43 millimeters in diameter, featured the tuatara, a reptile, on the reverse.

The five-cent coin has drawn the most interest from collectors. That's because of the serendipitous scarcity of the coin in what turned out to be its final year of issue.

"It gave the whole thing a real boost, quite by accident," Lang said. "Once we announced that we were preparing to drop the five-cent coin, demand dropped for them. We shipped out for scrap all of the coins in our vault."

About 20 million of the five-cent coins were minted in 2004. Just before the meltdown order was given, 32,000 of those were released into circulation. Alert collectors began setting them aside.



By the time national television networks had broadcast news stories about the special five-cent coin, prices were soaring on online auction sites. Bids rose to as high as $360 before settling down to $80 to $100 in November 2006.

Premiums also are being paid on the 10-, 20- and 50-cent coins from 2005, when only a small fraction of the normal inventory was released into circulation. Tens of millions of the coins were minted but did a U-turn back to the melting pot to make way for the new versions.

"The Reserve Bank has done a good job of handling the transition," Galt said. "Commercially, you can say that the Reserve Bank made a mistake by minting so many 2004 and 2005 coins and then having to melt them down again.

"But, numismatically, we are obviously happy about that."

The whole series of events has resulted in an obvious surge in interest in coin collecting, Galt said. Membership in the Royal Numismatic Society has increased by about 4 percent. The Reserve Bank recently opened a numismatic museum. Prices for many older New Zealand coins are rising as a younger generation discovers the hobby.

The national post office offered an old-and-new collector's set—featuring a five-cent coin from 2003 and 2005 versions of the 10, 20 and 50, plus the new 2006 coins. Only 5,000 were available, at $9.99 each. Recently, the set was trading in the secondary market for $100.

The new coin assortment does have a downside for collectors. The Royal Numismatic Society has noticed that fewer stray foreign coins are turning up in pocket change.

"Because we've now moved to a unique formulation for New Zealand coins, rather than matching dimensions of other nations' coins like England and Australia and Fiji, there's much less of a chance that you find foreign coins in circulation," Galt said.

"Somewhere around 3 or 4 percent of the circulating New Zealand coins were Australian, so you could easily get a complete set of Australian coins. Occasionally, United States quarters would turn up in bags of 10-cent pieces," he said. "Maybe it will be harder to collect complete sets of foreign coins now."

The world's largest supplier of base-metal coin blanks, South Korea's Poongsan Corp., was awarded the contract to melt down the old New Zealand coins. Gathering them up was a huge operation. Lang said trucks were hired to visit every bank branch in the country. Coins were dropped off at temporary depots in Auckland and Christchurch, where workers loaded them into huge sacks and weighed them.



By November, more than 100 shipping containers full of old coins had departed New Zealand en route to Seoul.

While the old coins are no longer legal tender in New Zealand shops and banks, the Reserve Bank in the capital city, Wellington, will continue to accept them back at face value indefinitely, Lang said.

Many of the old coins assisted charitable causes. The Karori Wildlife Sanctuary in Wellington—which houses tuataras and kiwis, among other creatures—raised more than $10,000 by soliciting donations of the coins.

Reserve Bank officials concluded that the new-coin introduction and the old-coin recovery were a success. It was all done at no cost to New Zealand taxpayers.

"We're sitting here pretty happy at the moment," Lang said. "The money that we received from the meltdown has more than paid for the entire project."

Lang's countrymen have another—less tangible—reason to smile. Because Poongsan supplies the Perth Mint with blanks, New Zealanders know that their friendly rival across the Tasman Sea probably will be receiving recycled metals from the discarded Kiwi coins.

"It's highly likely that the metals from our old coins could end up in new Australian coins," Lang said. "New Zealanders get a bit of a chuckle about that!"



Pictured from top: new 20-cent reverse, 20-cent reverse (1990-2006), new 20-cent obverse and the 20-cent reverse (1967-1990).

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