



Should we scrap one and two cent coins?

Finland and the Netherlands don't use them. Some Irish consumers seem to hate them and find the two cent coin hard to distinguish from the five cent. Not to mention the fact that they are practically worthless.

So why are we hanging on to one and two cent coins?

AT A GLANCE

One and two cent coins.

Case for withdrawal.

Finland and the Netherlands.

It's an issue that's often raised by councillors and backbench TDs in a bid to grab a few extra votes from those who might care enough about it, but opposition to the idea of banning one and two cent euro coins or removing them from circulation seems to be getting weaker – at least in Ireland.

On the face of it, many shops, businesses and public services here don't like them. When was the last time you were able to use one or two cent coins in vending or ticket machines? Or parking meters? Not to mention the surly looks you will get from retail staff if you insist on handing over lots of coppers as part of a payment for small item.

The last major survey that attempted to get a fix on public opinion on this matter was in October 2005, when the European Commission-sponsored

Eurobarometer survey asked its participants in the 12 initial Eurozone states whether some of the smaller coin denominations should be removed from circulation. Irish people, along with the Belgians, Italians, Dutch and Austrians, were among the strongest advocates for a removal of small euro coins.

Of the 12 states, the Belgians (78%) and Irish (75%) were the most inclined to favour the removal of the one cent coin, whereas the Germans (32%) were the least willing to give it up.

In the case of the two cent coin, the Italians (66%) and the Belgians (64%) were most inclined to support its removal from circulation, while the Irish were not far behind with 54% in favour. The Germans (34%) were, once again, the least willing to see it go.

The survey found that, overall, a

majority of respondents across the 12 Eurozone states were in favour of removing the one cent (58%) and the two cent (52%) coins.

Finland and the Netherlands

In Finland and the Netherlands, one and two cent coins are generally not in use. In the case of Finland, these coins were simply never issued as the government opted to remove these coins from general circulation right from the beginning of the introduction of euro coins and banknotes in January 2002. It changed Finnish law so that prices were rounded to five cents and retailers would not have to provide change in anything less.

The Netherlands followed the Finnish example in September 2004 following pressure from retail businesses. After a successful pilot experiment in the city of

Woerden, retailers in the whole of the Netherlands have been permitted to round cash transactions to the nearest five cent amount since September 2004.

At least part of the rationale in both Finland and the Netherlands for removing small euro coins from circulation was the cost involved in producing them, particularly given rising prices of metals.

Despite this, the coins are still legal tender in both Finland and the Netherlands, so if customers with one- or two-cent coins minted elsewhere wishes to pay with them, they may. Since euro coins are minted in each Eurozone state with a common side and a national side, one and two cent coins are still minted in these two countries for collector sets as required by the European Monetary Union (EMU) agreement.

Possible inflation fears

The aforementioned 2005 Eurobarometer survey also asked respondents in the 12 Eurozone states what they felt would happen if the small euro coins were removed. Over 60% overall said it would increase prices. Over 30% perceived no potential effect. Among Irish respondents, 63% believed their removal would increase prices.

The retailers' view

According to RGDATA, the organisation that represents independent retailers, the issue was discussed a few years ago. "There was concern amongst the retailers that if items were rounded up or down to take account of the lack of one- and two-cent coins then retailers

would take the flak from consumers," says Tara Buckley, RGDATA's director general.

"The retailers said there would have to be a very clear indication from consumers that they did not want the smaller coins and it should not be imposed on them by banks or whatever."

Buckley added that there were issues regarding security, and that for a lot of its members who run convenience stores and smaller shops, where the average transaction is less than €5 and is paid for in cash, the issue of one and two cent coins is a significant one for them.

The main employers' organisation, IBEC, said that no serious discussions had taken place on the issue and as far as it is concerned, it is 'not on the table'.

The Government's view

The CAI asked the Department of Finance whether the removal of one and two cent coins has ever been seriously discussed. A spokesman for the Department said that it was not considering this either "either at a domestic or EU level".

Whilst stating that actually withdrawing one and two cent coins

as legal tender is only something that can be decided at EU level, the spokesman said the actual issuing of coins is a matter for the participating states who also bear the associated costs, but that they could take measures to reduce the demand for these coins, such as through 'rounding' of cash payments.

Rounding is what Finland and the Netherlands have done (see *What is Swedish rounding?*). In other words, one and two cent coins remain legal tender in these countries, but governments, banks and businesses have together simply agreed not to circulate and use them.

"Any proposal to allow rounding would require new domestic legislation, unless of course it was introduced by a directly applicable EU regulation," the spokesman said. "In either case proposals would only be put forward after extensive consultation, a regulatory impact assessment, which would have to include a consumer survey (and possibly a pilot study in a large town) and an education process. It would also require an extensive review of consumer legislation in relation to pricing and price display etc."

PROS AND CONS

The case for:

- Not used in Finland and the Netherlands.
- Wouldn't have to carry so much change.
- Small coins are almost worthless; what can you buy that costs 1c or 2c?
- Cost more to make than they are worth.
- People often discard them.
- People save them and don't return them to circulation.
- 2c coins are often confused with 5c.

The case against:

- Inflation may rise/things will cost more.
- Retailers may round prices UP to nearest five cent rather than down.
- Need coins to make exact change.
- Part of the currency.
- The cent is the base unit – not everything is divisible by five.
- Allows retailers to set prices to attract consumers, such as 99c or €4.99.

WHAT IS SWEDISH ROUNDING

In Finland and the Netherlands, where one and two cent coins are not in circulation, businesses and banks there employ a method known as 'Swedish rounding' when tallying sums. This is designed to resolve the issue of prices that don't end in €0.00 or €0.05.

While individual prices are still shown and summed up with €0.01 precision, the total sum in Finland and the Netherlands is then rounded to the nearest €0.05. Sums ending in €0.01, €0.02, €0.06 and €0.07 are rounded down to the nearest five cents; sums ending in €0.03, €0.04, €0.08 and €0.09 are rounded up to the nearest five cents.

choice comment

The clear message from Irish banks, businesses and the government seems to be that there will be no plans put forward to withdraw one and two cent coins from circulation here unless consumers say they want it. Finland and the Netherlands may well have removed them, they say, but the decisions to do so appear to be have been driven much more by government and business interests than by consumers. Yet there are indications from the most recent Eurobarometer surveys on the subject that consumers here would seriously consider their removal.

The advantages of removing one and two cent coins

possibly outweigh the disadvantages – but we must seriously consider what very real fears about the impact on inflation are. Charities could lose a significant revenue stream if the coins were to be withdrawn from circulation. Alternatively, of course, they could also see a surge through the minimum contributions of five cent coins flooding into their coffers.

The Swedish rounding system offers an interesting means of managing any future elimination of these coins. However, for now at least and in the absence of a clear demand, we will continue to watch our pennies. Well, that's our two cents worth at any rate!