

PREM 19/2637

Confidential Filing

The Coinage.

ECONOMIC

POLICY

NOVEMBER 1980

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
22-11-80		11-1-87					
22-12-80		10-3-87					
23-1-81		1-1-87					
3-3-81		11/9/87					
30-4-81							
19-9-83							
6-10-83							
27-11-83							
4-12-83							
26-1-84							
7-8-84							
25-10-84							
12-11-84							
1-5-85							
7-11-86							
10-11-86							
17-11-86							
3-12-86							
19-12-86							
2-1-87							

CLOSED

PREM 19/2637



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afu

fu

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

11 September 1989

1p AND 2p COINS

The Prime Minister was grateful for the Chancellor's minute of 8 September. She is content with the proposal being put to Her Majesty for a change to the 1p and 2p coins being made of copper plated steel rather than traditional bronze. She has noted that the decision on the timing of the change would not be made before consultation with interested parties.

(PAUL GRAY)

John Gieve, Esq.,
HM Treasury.

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afu

CCPM

CF-PC RRB 11/9
CHANCELLOR OF THE EXCHEQUER



010
Prime Minister
Contact, subject to Her
Majesty's views,
with the proposal to use
copper plated steel?

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

PRIME MINISTER

RRB 8/9

Yes not

I am considering proposals that in future UK 1p and 2p coins be made of copper plated steel rather than traditional bronze.

2. The cost of producing these coins in bronze now exceeds their face value; clearly an undesirable state of affairs. The Royal Mint has the expertise to produce cheaper, copper plated steel coins. Subject to the views of Her Majesty the Queen to whom I will write separately, I propose that such coins be introduced. The plated coins would have the same diameter as the bronze coins and the same weight would be maintained by making the new coins slightly thicker. I attach samples of both bronze and copper plated coins. As the dimensions of the coins would be largely unchanged the bronze coins already in circulation would not be replaced, but circulate together with the copper plated coins.

3. The Royal Mint would be able to produce copper plated 1p coins from January 1991, and copper plated 2p coins from January 1992; but a decision on the timing of the change would not be made before consultation with interested parties.

N.L.

[N.L.]
8 September 1989

PLATED

BRONZE





From the Master of the Royal Mint

2.
PRIME MINISTER

NDM
Tom may like to see the proposed pamphlet.

THE ROYAL MINT: PAMPHLET ON POSSIBLE CHANGES TO THE UK COINAGE AND THE LAUNCH OF "THE BRITANNIA"

At the Trial of the Pyx in May I announced that the Royal Mint were to issue a pamphlet with some options for changing the UK coinage. Publication was delayed by the Election, ~~but~~ the Mint now plan to publish the pamphlet on 15 July. I attach a copy of the latest proof. (There are some minor editing changes still to be made to the pamphlet, and the picture in the centre showing the options tested will be in colour.) As I foreshadowed in my speech in May, the pamphlet concludes that the practical choice lies between leaving the coins as they are or introducing smaller 5p and 10p coins. The pamphlet invites comments before we decide whether to make any change. If we do decide to go ahead, the 5p would be replaced first, probably in 1989, and the 10p a year or two later.

On a separate matter to do with the coinage, I announced earlier this year that the Mint would start marketing a one-ounce gold bullion coin - the Britannia - this autumn. The main markets for the Britannia will be overseas, where they will be competing with similar gold coins from other countries, such as the American Eagle, the Canadian Maple Leaf and the Australian Nugget. The Mint already have a very creditable record in export sales and have just won their fourth Queen's Award for Export. Nevertheless, if they are to succeed with the Britannia it will be important to get the sales drive off to a really successful start. The Mint have it in mind to begin their campaign by unveiling the design



(which the Queen recently approved) at a reception for the London gold market, the organisations helping to promote the Britannia in the UK, their agents in Europe, the Far East and the United States, and the media. I know how busy you are; but if this somewhat unusual occasion appeals to you it would give a tremendous boost to the launch if you yourself were to unveil the design, probably at a short ceremony in London around the end of September.

N.L.

N.L.
1 July 1987



Royal Mint

**THE
UNITED KINGDOM
COINAGE**

ABOUT THIS PAMPHLET

This pamphlet has been produced by the Royal Mint. It describes some possible changes to the coinage. Although many people feel that our existing coinage is too heavy and that it may be sensible to replace some of our coins with lighter and smaller versions, it should be emphasised that no decision has yet been taken on which coins, if any, should be replaced. The possibilities are discussed in the following pages. The purpose of this pamphlet is to encourage all interested parties from industry and commerce, as well as from the general public, including the blind, to express their views. Comments on the proposals set out in this pamphlet should be sent to the Board Secretary, Royal Mint, Llantrisant, Pontyclun, Mid Glam. CF7 8YT.

The pamphlet incorporates some of the results of research by the Department of Psychology of the University of Nottingham into the ability of individuals to distinguish between different coins by sight and touch. The relevant sections of the pamphlet have been prepared after consultation with the authors of the research; they will be publishing their detailed results in the academic press.

July 1987

1. Changes in the coinage always arouse strong feelings. Coins are, after all, universally familiar and part of everyone's daily life. Such changes are, therefore, never taken lightly. But they are sometimes needed. One major reason for change has been the effects of inflation over the years: the structure of our present coinage was largely established at the time of decimalisation, before the rapid inflation of the 1970's. Other important reasons why changes are sometimes needed are long term movements in the price of metals, and developments in coin usage (particularly in coin-operated machines). And as new coins are added over the years, old ones have to be withdrawn to keep the number of different denominations at a manageable level, and to keep the overall weight down.
2. The objective of any individual change should be to produce a coinage system which is convenient to use, which is logical (i.e. which relates face value to size within each metallic range) and which is capable of further development.

A good system must have . . .

3. Although opinions on the subject can differ widely, a good coinage system should at least satisfy the following requirements:-
 - Individual coins should be readily distinguishable, both visually and by touch. (This is important in the dark and for blind or other handicapped people.)
 - Coins should command respect. This is an abstract concept but size, design and characteristics of the metal are all considerations here; excessively light alloys such as those made with aluminium, and coins with holes in the middle, are not popular.
 - At the same time, coins should be not too large and not too heavy. Heavy coins tend to make holes in the ordinary user's pocket; they inconvenience those, such as milkmen, who carry around large quantities; and they add extra transport and security costs for bulk handlers like banks and supermarkets. Anything larger than the present 50p (30mm) is generally considered too big. But nor should coins be too small: the old silver 3d (approximately 16mm diameter) - not issued since the last war - and the 1/2p ~~withdrawn at the end of 1984~~ (around 17mm) were often criticised on that score. *E, which was withdrawn at the end of 1984.*
 - A coinage system should be easily understood, in particular to help those such as tourists, and the elderly.
 - Coins have to be made so that they cannot easily be counterfeited. Sophisticated alloys, intricate designs and elaborate edges may be needed.
 - Production and distribution costs should be kept to a minimum.
 - Coins should be suitable for use in meters and vending machines.

Constraints on change

4. There are now more than 14,000 million coins in circulation. It would not be practicable to design a completely new system, build up a stock of new coins and then rapidly replace all the old coins with new. The public would be confused, and the costs would be excessive. So any change must involve phasing particular coins in and out of circulation, while avoiding confusion between old and new coins.
5. Size "slots" for new coins have to be found. As a general rule there ought to be a minimum difference of 3mm in the diameter of otherwise similar coins in order to ensure that it is easy to distinguish between them. Coins of the same or similar diameter can co-exist provided they are different in other respects, particularly in thickness, colour and shape.
6. Additional coins tend to add to the weight of the overall system. When a new coin is added, another should ideally be dropped so that the coinage does not become too heavy.
7. To suit vending machines, coins must roll easily and be sufficiently heavy to make the machines work. This rules out many shapes — such as square or triangular — and many alloys — such as those of aluminium.

Decimalisation and after

8. Decimalisation in 1971 was a watershed in the history of the UK coinage, marking the beginning of a new system which to this day is not yet fully complete. The ½p, 1p, 2p and 50p were new at the time, but the sizes of the old pre-decimal one shilling and two shilling (florin) coins were retained for the new 5p and 10p denominations — and old shillings and florins continued in circulation. This was done to avoid the confusion which would have been caused by a completely new set of coins.

9. By the end of the 1970's the new coinage had become unsatisfactory in a number of ways. The existing range of coins appeared inadequate. There was strong evidence that a 20p or 25p coin was needed between the 10p and 50p. And, as a result of past inflation, a £1 coin was becoming increasingly necessary.
10. Furthermore, a survey in 1979 indicated that the coinage was widely regarded as being much too heavy. This was mainly due to the fact that, traditionally, coins of the same alloy had always been weight related. That is to say the 2p was twice as heavy as the 1p, and the 10p twice the weight of the 5p. The introduction of the 50p in 1969 had also added significantly to the average weight of a pocketful of coins.

The need for change

11. The 20p and £1 coins were accordingly introduced in 1982 and 1983 respectively. The small 20p was meant to serve two purposes. First, it bridged the gap between the 10p and 50p, and second, it substantially reduced the average weight of a handful of change by displacing two large, heavy 10p coins. In their size and shape both the 20p and £1 coins broke new ground, primarily because there was no size "slot" for the 20p between the 10p and 50p, and because a £1 coin larger than the existing 50p would have been too heavy.
12. However, surveys show that people still consider the coinage system untidy and, as a whole, too heavy. The 10p and 5p coins are the obvious targets for change. Both are weight related, which is costly and no longer necessary, and both appear out of series with the more recent 50p and 20p coins.

£

50p

20p

10p

5p

2p

1p

CURRENT



OPTIONS

1.



2.



3.



4.



Background to recent research

13. History shows that the public in the United Kingdom usually dislikes the introduction of new coins. Neither the 20p nor the £1 was immediately popular, though the former became so fairly quickly. The 50p when introduced in 1969 caused such a furore that attempts were made in Parliament to have it withdrawn. Such attitudes change quite markedly over time, and it is very likely that if steps were now taken to change the 50p coin there would be similar public resistance. Nevertheless, public opinion at the time of a change is clearly important.
14. This is why, before any decision was taken to issue 20p and £1 coins, the Royal Mint commissioned the University of Nottingham to undertake a research programme to see how easy it was to distinguish between different sizes and shapes of coins. As a result of this research both the 20p and £1 coins were provided with features to make them easier for the blind to identify.
15. When the research was completed, the Royal Mint published a pamphlet in January 1981, "Proposals for a £1 Coin and a 20p Coin". This was used as a basis for consultations, before the Government took a decision on the precise specifications of the proposed coins.
16. After the new 20p and £1 coin had been issued, the University of Nottingham was invited to undertake a second phase of research into a series of options for further possible changes in the UK coinage.

The options

17. Four possible options were explored. These are illustrated (on the centre pages). Options 1, 2 and 3 all featured a new 10p coin very similar to the old sixpence, with a choice of three specifications for a new 5p: in Option 1, a white coin somewhat smaller than the old sixpence; in Option 2, a bronze coin slightly smaller than the 2p (which would require the present 2p to be withdrawn from circulation); in Option 3, a yellow coin similar to the old multi-sided 3d but smaller. In Option 4, however, it was the 5p which was replaced by a coin similar to the old sixpence and the 10p by a coin slightly larger than the current 5p. Options 1, 2 and 3 provided for a new 50p, circular and a little smaller in size than the existing 2p, while option 4 left the 50p as it is.
18. The Royal Mint commissioned a survey of public opinion on these options. This was done by a London based market research company. Some 2400 adults throughout Great Britain were questioned.

Results of the survey

19. Although, predictably, only a minority of those questioned were in favour of change, when they were asked to choose between the four options for the 5p and 10p, Option 4 was clearly the most popular. 29% did not express a preference, but, of those who did, the choices were:

Option 1	7%
Option 2	26%
Option 3	23%
Option 4	44%
20. While it is more often suggested that our coinage, taken collectively, is too heavy, the survey revealed that people tend to prefer individual coins to be reasonably large. Thus, when initially asked whether it would be a good or bad idea to replace large, heavy coins with smaller, lighter ones, 59 per cent thought it a bad idea and only 29 per cent a good idea. More specifically, when asked if the 50p should be reduced in size, 69 per cent thought this a bad idea.

Discrimination Research

21. As before the introduction of the £1 and 20p coins, the Nottingham researchers looked into the ease with which the coins in each of the four options could be told apart. The technical term for this is discrimination.

22. Their studies used simple coin handling tasks undertaken in varying conditions by different groups of people. The handling tasks included sorting out mixtures of coins, and searching for specified target coins in purses or pockets. The speed of sorting or searching and the number of errors provided measures of relative difficulty, with the speed and error rate for handling the existing coinage system also being measured for comparison. In most of the work volunteers from the general public were tested. Two tests were conducted with elderly residents in sheltered accommodation and one with a sample of blind people who relied solely on touch when handling money. Blind people clearly have particular difficulty in identifying a coin in isolation.

23. The research indicated that replacing the 50p with a smaller circular coin, as in options 1, 2 and 3, would not improve discrimination and could introduce confusion between the new 50p and other coins. The research team also concluded that, if new 5p and 10p coins were to be introduced, it would be preferable to replace the 5p before the 10p.

24. The main conclusion of the discrimination study was that none of the four options for the 5p and 10p posed significant problems. Indeed, for a first stage involving the replacement of the 5p only, all the options were found to be more satisfactory than the present coinage. No significant problems of discrimination were evident even if both 5p and 10p were changed simultaneously.

Conclusion

25. The opinion survey shows that of the four options, number 4 is clearly the most attractive. It retains the 50p coin, yet considerably reduces the overall weight of the coinage. Tests showed that none of the options for the 5p and 10p would make it any harder to tell different coins apart.

26. The choice therefore appears to lie between retaining the existing range of coins and moving over to Option 4. The survey found that the proposed new 5p in Option 4 was very satisfactory. The only possible problem with this option was a potential confusion between the proposed 10p and the £1 coin, but a way round this has now been found by slightly modifying the specification for the 10p. If option 4 were chosen, the 5p would be replaced before the 10p.

27. Before any decision is taken, it will be necessary to establish whether the changes would lead to savings or increased costs in maintaining the coinage in good order; and what benefits or disadvantages there would be for bulk users of coins such as banks, the vending industry, transport undertakings, and people like milkmen who have to carry large quantities of coins. Comments from groups such as these, as well as from individuals, would therefore be welcome as part of the consultation process.



Royal Mint

R 10/3
NBSN

7 Grosvenor Gardens, London, SW1W 0BH. Telex 267321 Telephone 01 828 8724-8

cc BT ✓ You should be aware
of this, in view of possible
controversy over use of gold.
Treasury are sending over
their briefing.

Private Secretary to the
Prime Minister
10 Downing Street

10 March 1987

DBS
10/3.

Dear Private Secretary ✓

Further to recent correspondence between the Master
of the Mint and the Prime Minister, enclosed is a self-
explanatory press release on the new bullion coin,
the "Britannia".

The announcement will be in the form of a written
Parliamentary Question to the Chancellor of the
Exchequer, for answer on 11 March.

Yours sincerely

Charmaine Bogg

Secretariat



Enc



Royal Mint

7 Grosvenor Gardens, London SW1W 0BH. Telex 267321 Telephone 01 828 8724-8

NEW UNITED KINGDOM GOLD BULLION COIN

THE BRITANNIA

The Chancellor of the Exchequer and Master of the Mint, The Rt Hon Nigel Lawson MP, made the following statement today in answer to a written Parliamentary Question concerning Government plans to issue a new UK bullion coin:

"Her Majesty the Queen has been graciously pleased to approve my recommendation, as Master of the Mint, that a new bullion coin containing 1 oz of fine gold be issued, to be called the Britannia, together with bullion coins of smaller denominations."

The Britannia will be available in four denominations in 22ct gold; 1 ounce, $\frac{1}{2}$ ounce, $\frac{1}{4}$ ounce, and $\frac{1}{10}$ ounce. These coins will all be legal tender.

The 1 ounce Britannia will be available later this year, with the additional denominations available shortly thereafter. The price of the coins will be based on the gold price on the day that the Britannia is purchased, plus a competitive premium.

The new Britannias will bear an approved portrait of Her Majesty The Queen on the obverse. The reverse design will feature Britannia.

11 March 1987



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

14 January, 1987.

THE BRITANNIA

The Prime Minister has seen your letter to Mark Addison of 12 January about the use of Russian gold in the Britannia. She is now content for the new coin to go ahead. However, she has commented on the peculiarity of a policy under which we are refusing to allow the import of Krugerrands but are now going to strike a new coin which may, and probably will, contain South African (and Russian) gold.

I am sending copies of this letter to Tony Galsworthy (Foreign and Commonwealth Office), and Tim Walker (Department of Trade and Industry).

(David Norgrove)

Mrs. Debbie Lester,
HM Treasury.

CONFIDENTIAL

da

PRIME MINISTER

THE BRITANNIA

You remarked on the letter below that the Britannia was not to include South African or Russian gold so where was the gold going to come from.

As I understand it, the point is not that there will be no Russian or South African gold, but that we cannot identify in most cases where the gold comes from. So there may well be Russian or South African gold in the coins. The Foreign Secretary's concern was to prevent so far as possible the use of directly imported South African gold. !!!

Before I record your approval of the issue of the coin, I should like to be sure that there are no other supplementary questions you wish to ask.

DWS

Go ahead, but I am
a bit nervous!

We can't import Kuyper
as we are going to strike a
new coin which may (and
probably will) contain South African
Russian gold. What's policy!!

David Norgrove

13 January 1987

CONFIDENTIAL



From the Master of the Royal Mint

12 January 1987

Mark Addison Esq
10 Downing Street
LONDON
SW1A 2AA

Prime Minister!
Content was for the new
gold coin to go ahead?

Dear Mark,

Yes but
see below
mb
DGL
12/11

THE BRITANNIA

In your letter of 24 December to Tony Galsworthy you stated that the Prime Minister would like to be assured that no Russian gold would get into the Britannia.

As with South African gold, the Mint could live with a commitment not to purchase any gold bar refined in Russia. But it would not be possible to guarantee that no Russian gold would get into the Britannia. As the Master of the Mint explained in his minute of 3 December to the Foreign Secretary, even when gold bars are marked as coming from a particular country, this is not a guarantee that they do not contain gold from other countries.

The Prime Minister may, however, like to be aware that in recent years our direct gold imports from Russia have been negligible or non-existent. This is because the Russians generally market their gold through third countries such as Switzerland. The Master of the Mint therefore very much hopes that the Prime Minister can now agree, subject to clearance with the Palace, that we can go ahead with an announcement of our intention of producing a 1 oz gold coin.

I am sending copies of this letter to Tony Galsworthy (Foreign and Commonwealth Office) and Tim Walker (Department of Trade and Industry).

Not South African gold
Nor Russian gold

Yours ever,
Debbie Lester

What gold is
the relevant quantity
Canada? Cameroon?
Australia? Very interesting
not

DEBBIE LESTER
Master of the Mint's
Private Secretary
Louis!

FROM POL COVERAGE NOV 1980



COOPERATIVE



10 DOWNING STREET
LONDON SW1A 2AA

24 December 1986

From the Private Secretary

THE BRITANNIA GOLD COIN

The Prime Minister has seen the Foreign Secretary's minute of 17 December to the Master of the Royal Mint. She has taken note of the position so far as South African gold is concerned. She has, however, raised the question of Russian gold, and would like to be reassured that no such gold will be contained in the coin.

I am copying this to Alex Allan (HM Treasury) and to Tim Walker (Department of Trade and Industry).

Mark Addison

A.C. Galsworthy, Esq., CMG.,
Foreign and Commonwealth Office.

mtacsq

3/1

285



COB9

FCS/86/301

NTBA.

MASTER OF THE ROYAL MINT

Prime Minister²

You will remember that the Chancellor has proposed to replace the gold sovereign. DLS

I think what there will be no Russian gold in it?

at 13/12

The Britannia Gold Coin

1. Thank you for your minute of 3 December about the production of a new one ounce gold coin.

2. I was glad to have your explanation of why it is impossible to ensure that no gold of South African origin would be used in the coin. Nevertheless I still believe that within the limits of the practical it would be politically sensible to distance the new coin as far as possible from the use of South African gold.



What about Russian gold? Please make R.C.S. and

3. From your continuing support for a launch I deduce that you judge the prospective profits to outweigh the political criticism which we may incur (particularly since we cannot give a categorical assurance that the new coin contains no South African gold). That being the case, I agree that we should

/proceed



proceed with a low-key announcement, on the understanding that the Royal Mint should be able publicly to make and defend a commitment that no directly imported South African refinery gold bar was being used.

5. It would also be helpful presentationally if the Government could say in addition that no directly imported South African refinery gold bar would be used to replenish gold stocks depleted in production of the coin.

6. I am copying this minute to the Prime Minister and to Paul Channon.

A handwritten signature in dark ink, consisting of a stylized 'G' followed by a series of loops and a horizontal stroke, ending in a small dot.

(GEOFFREY HOWE)

Foreign and Commonwealth Office

17 December 1986

Econ Pol: The Coinage 11/20





From the Master of the Royal Mint

*1 CDP yes.
2 NBP
This seems all right to me. Are you content?
CDP 4/12*

FOREIGN SECRETARY

Thank you for your minute of 17 November. I do, of course, fully share your desire to avoid any more rows over South Africa.

The Royal Mint would have no difficulty in living with a commitment not to purchase any South African Refinery gold bar. But it would not be practicable to guarantee that no South African gold would get into the Britannia. This is because gold bars marked as coming from the Soviet Union or Canada - not to mention melted down sovereigns which could be an important source of gold for the Britannia - may well contain some South African gold. In this respect our position is no different from that of other producers of gold bullion coins. Even those with indigenous supplies of gold also use gold from other sources. So, provided no directly imported South African gold bar is used, I think the risk of a political row is negligible.

Your second point related to the price of gold, which, as you know depends on a wide range of factors - industrial demand, the state of the currency markets, speculative demand etc. Even if sales of the Britannia were to prove higher than expected, this is most unlikely to have any discernible effect on the price of gold. Indeed, you may like to know that the price of gold has been falling during a period when the US Treasury have been making substantial sales of the Eagle. Most of our sales are likely to be at the expense of others. If we do not seize this opportunity of securing a share of this market others will.

I remain very keen to see the Mint produce a loz gold bullion coin, particularly now that the market for sovereigns - of which we possess a very large stock - has completely dried up. I trust,

CONFIDENTIAL

therefore, that you can now agree we can go ahead with a low key announcement. If you think it would be helpful I should be happy to arrange for my officials to keep in close touch with yours about the timing of any announcement and related matters.

I am sending copies of this minute to the Prime Minister and Secretary of State for Trade and Industry.



[N.L.]
3 December 1986

ECON POL The Courage Nov 80





NBBQ at this stage

FCS/86/266CHANCELLOR OF THE EXCHEQUERThe "Britannia" Gold Coin

1. In your minute of ^{at 11am} 1 November to the Prime Minister, you asked for my views on the possible introduction of a new 1 oz UK gold bullion coin, and in particular the significance of the South African dimension.

2. I agree that we need not necessarily feel inhibited by "South African" considerations from marketing such a coin if you judge that the prospective profits to the Royal Mint are worth the effort. But we are not in quite the same position as our competitors: as you point out, they have indigenous sources of gold and we do not. The first question we are bound to be asked when we announce the Britannia is whether it contains South African gold.

3. There is of course no ban on the import of gold bullion from South Africa, no separate market in South African gold, and no reason why we should put ourselves under greater difficulties than our competitors. I think, however, we should recognise that, given the fact that unlike their coins the Britannia will be minted entirely from imported gold, we run the risk of looking hypocritical and of being accused of profiting from sanctions if, having banned the import of gold coins from South Africa, we were to introduce a gold coin of our own with a South African gold content. Therefore, even though we have given no undertaking on gold bullion I believe it would be politically prudent to ensure that the new coins do not contain South African gold. I



realise that such a proviso could create technical difficulties for the Royal Mint, but I would hope that ways could be found of overcoming these. Presentation is important. We could do without another row on South Africa.

4. A more difficult problem may be to answer the general criticism that production of a new gold coin might conceivably have the effect of increasing total world demand for gold, thereby increasing its price. I do not know whether this is a serious concern but the main beneficiaries of this would be South Africa and the Soviet Union. We would be able to point out that the same criticism applies equally to other countries which have already issued their own coins such as the United States and Canada, particularly since the latter, unlike the UK, is a strong advocate of sanctions. However, the claim may be made that the benefits to the South Africans of stimulating world demand for gold in this way might exceed the benefits to the countries issuing these coins. I should welcome your comments on this and on the other points which I have raised.

5. I am copying this minute to the Prime Minister and to Paul Channon.

A handwritten signature in dark ink, appearing to be 'G. Howe', written in a cursive style.

(GEOFFREY HOWE)

ECON POL COURAGE NOV 80



CONFIDENTIAL



R
c b n.

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

10 November 1986

The Britannia

The Prime Minister has seen the Chancellor's minute of 3 November and has noted his intention that the Mint should be allowed to produce a new gold coin to be known as the Britannia.

I am copying this letter to Colin Budd (Foreign and Commonwealth Office) and Michael Gilbertson (Department of Trade and Industry).

(DAVID NORGROVE)

Tony Kuczys, Esq.,
HM Treasury.

CONFIDENTIAL

JB



Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
Telephone (Direct dialling) 01-215 5422
GTN 215)
(Switchboard) 01-215 7877

CONFIDENTIAL

10 November 1986

The Rt Hon Nigel Lawson MP
Master of the Royal Mint
Treasury Chambers
Parliament Street
London SW1P 3AG

NBN.

Dear Nigel,

Thank you for copying to me your letter of [✓] 3 November to the Prime Minister. *at 11am*

As you say, a number of countries, including the US, Canada and Japan, are already marketing gold coins designed to fill the gap left by the widespread banning of the Krugerrand. Subject to Geoffrey Howe's views on the foreign policy dimension, I see no reason why we should not follow suit.

You suggested that VAT would be levied on sales of the "Britannia" in this country. It is, of course, important that the new coin should be treated in exactly the same way for tax purposes as its international competitors. Before the Commonwealth ban on Krugerrand imports the Canadians tried to give a sales tax advantage to their "Maple Leaf" and had a dispute settlement case brought against them successfully by South Africa in the GATT. We would naturally want to avoid such a development.

I am copying this letter to the Prime Minister and the Foreign Secretary.

*Y
ms
17
Paul*

PAUL CHANNON

JG5ACM

17 86
19
BOARD OF TRADE
BICENTENARY

ECON POL COURAGE NOV 70



CONFIDENTIAL

PRIME MINISTER

The Britannia

You asked where the gold would come from for the new British gold coin. ———

The answer is that it will not be possible to say. By the time the Mint buy it it will have been traded through so many hands that its origins will not be identifiable.

It is nevertheless highly likely that some of the gold will have come from South Africa.

—————

Agree to the gold coin, subject to the Foreign Secretary's views? Do you wish also to pull the legs of the Foreign Secretary and the Chancellor by pointing out that some at least of the gold is likely to have come from South Africa?

DNW

DAVID NORGROVE

7 November 1986

VC/79

CONFIDENTIAL



From the Master of the Royal Mint

Prime Minister

PRIME MINISTER

1 *consider we buy
the gold from
S. Africa?*

*Content, subject to the
Foreign Secretary's view?*

*gls
4/11*

As you know, following the virtual demise of the Krugerrand, several countries have taken the opportunity to market bullion coins containing exactly 1 oz of fine gold. The US Treasury is the latest to have done so, and first reports suggest that the launch of their coin, known as the Eagle, has been very successful.

The Royal Mint have themselves been exploring the possibility of introducing a 1 oz UK gold coin, probably to be known as "the Britannia". This would have legal tender status, a feature attractive to collectors. Its face value would be £100. The Mint would market the coin actively, and would probably produce 1/2, 1/4 and 1/10 oz versions as well. Clearly, countries with indigenous sources of gold, such as Australia and the United States, have an important market advantage, and the liability of gold coins to VAT in the UK inhibits domestic sales on a significant scale. But despite these factors and the severity of the competition, soundings suggest that "Britannia" in this form and these values would find a niche in the market and earn useful profits for the Mint. This is in sharp contrast to the sovereign (and half-sovereign), of which we still possess substantial stocks, but for which there is nowadays virtually no demand because they do not contain the weight of gold the market wants.

It may be argued that matters are complicated by the South African dimension. But, subject to Geoffrey Howe's views, I see no reason, following the successful launch of the US Eagle, why we should feel inhibited from marketing a similar coin ourselves.



If you see no objection, I propose to approach the Palace and seek The Queen's approval, in principle, to the introduction of a 1 oz UK gold bullion coin. It would be necessary, of course, to consult the Royal Mint's Advisory Committee and the Palace about the design of the coins, but the announcement of the decision could be made immediately.

I am sending copies of this minute to Geoffrey Howe and Paul Channon.

[N.L.]

3 November 1986

RESTRICTED

Prime Minister ②
To note 1/5



Treasury Chambers, Parliament Street, SW1P 3AG

Mr A Turnbull
10 Downing Street
LONDON SW1

1 May 1985

Dear Andrew,

The Chancellor, as Master of the Mint, is proposing to answer ... the attached PQ on Friday 3 May.

The Economic Secretary, who will be attending the Trial of the Pyx on Friday, proposes to make it clear that, although commemorative coins are technically legal tender, we have no plans to issue a £2 coin for general circulation. Since the introduction of the £1 coin is still a politically sensitive ... issue, this comment would be incorporated in the Press Release.

I am copying this letter to Philip Dykins, Private Secretary to Neil MacFarlane.

mt

Yours sincerely,
Katherine Wilford

KATHERINE WILFORD
Asst. Private Secretary

DRAFT WRITTEN QUESTION AND ANSWER

.....To ask Mr Chancellor of the Exchequer if Her Majesty's Government has plans to issue any new commemorative coins.

REPLY

The Queen has been graciously pleased to approve the Master of the Mint's recommendation that a special f2 piece be issued to commemorate the Commonwealth Games in Edinburgh in 1986. There will be a normal version of the coin issued at face value, and collectors' versions, in precious metals and base metals, issued at a premium.

DRAFT PRESS NOTICE

COMMONWEALTH GAMES COIN.

In answer to a written Parliamentary Question from Mr [John Wheeler], the Chancellor of the Exchequer, The Rt Hon Nigel Lawson MP, made the following statement:

"The Queen has been graciously pleased to approve the Master of the Mint's recommendation that a special £2 piece be issued to commemorate the Commonwealth Games in Edinburgh in 1986. There will be a normal version of the coin issued at face value, and collectors' versions, in precious metals and base metals, issued at a premium".

Commenting on this announcement at the Trial of the Pyx today, the Economic Secretary to the Treasury, Mr Ian Stewart MP, said:

"This will be the first occasion on which a £2 coin, other than in gold, will have been issued in the United Kingdom. I should therefore make it clear that, although the £2 coin will technically be legal tender for its face value, as other commemorative coins have been, we have no plans to issue a coin of this denomination for normal circulation".

File

AT

CONFIDENTIAL

Conservative Research Department Brief

CHANGES IN THE CURRENCY

Prepared For:

The Chancellor's Statement in the House of Commons
on Monday 12th November 1984

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Enquiries to: Andrew Tyrie

Ref: FIN(84)8

32, Smith Square, London SW1
01-222 9511

CONFIDENTIAL

CURRENCY CHANGES

Three changes to the currency were announced in the Chancellor's Autumn Statement to the House on 12 November.

- a. The Bank of England £1 note will no longer be issued after 31 December 1984 but will continue to be legal tender for at least a year.
- b. The ½p coin will cease to be legal tender at the end of this year, but the banks will exchange the coins for some time afterwards.
- c. A new Bank of England £20 note will be issued on 15 November, incorporating some new features designed to make forgery more difficult.

The reasons for these changes and more details are given below.

£1 note

The £1 notes in circulation have become increasingly tatty. The main reason is that people now treat the £1 note differently from higher value notes. It circulates between customers and traders alongside coins. It gets pushed into pockets and tends to stay in the till overnight rather than being banked. If notes do not pass back to the banks, it is obviously much more difficult for the Bank of England to take old notes out of circulation and replace them.

The fact that people treat the £1 note like a coin in this way reflects past inflation. By March 1976 the purchasing power of the £1 note was already less than the 10 shilling note's at the

time that it was withdrawn in 1970.

For these reasons the £1 coin was introduced in April 1983. The coin has a number of advantages over the note. It has been welcomed by the blind and has proved increasingly convenient for use in ticket and vending machines. Although it costs a little more to mint than the £1 note costs to print, the coin is expected to last about 40 years in active circulation whereas the note lasts only 10 months on average. That means that over the lifetime of the coin it is very many times cheaper. The saving on public expenditure from ceasing to print the note will be £3 million in the first year alone, and the costs would probably have risen year by year.

Suggestions have been made for a plastic note in place of the paper one. This option was fully examined by the government. The main reasons for rejecting the plastic note are that it is easier to forge. Only Haiti and the Isle of Man have ever introduced a plastic note, and Haiti has now decided to withdraw it.

Other European countries have already replaced their notes of about £1 value with coins, for example the French have a 10 franc coin, the Germans a 5 mark coin and the Swiss a 5 franc coin.

There are plenty of £1 coins already minted either in circulation or ready for delivery to the banks. So there will be no shortage of £1 units. There are already many thousands of vending machines that take the coin and their usefulness will increase as the coin becomes more widely available. The ending of the £1 note should mean that a number of businesses, for example the gas and electricity boards, who have until now held back from converting meters and vending machines to use the coin, are likely to go ahead and do so. Bank cash-dispensing machines do not in any case issue notes below £5 denomination. Not surprisingly, a number of traders welcome the coin as easier to handle than dirty notes.

All new coins attract criticism because they are unfamiliar. But the £1 coin and note have circulated together for eighteen

months already, and as they have done so the number of complaints and queries about the coin has fallen away.

The £1 note will not disappear overnight. It will go on being issued until 31 December and people will be able to go on using it just as now for at least a year. Eventually a date will be announced on which the £1 note will cease to be legal tender. Plenty of notice will be given. But even after that date old £1 notes will be accepted by banks for a further period, after which the Bank of England will go on exchanging them.

£1 notes have been with us since the First World War. Their issue then caused something of an outcry from people who thought that the pound should not be represented by mere paper. £1 coins have been with us rather longer: the first one was authorised by Henry VII back in 1489.

The status of private bank note issues in Scotland and Northern Ireland is unaffected.

The ½p coin

The Chancellor first announced in February that the ½p would be withdrawn from circulation around the end of this year, and production ceased in March. The date for withdrawal is now set for 31 December. The ½p cost more to mint than its face value. Many people regard it as scarcely worth handling.

Withdrawing the ½p will have no discernible impact on the RPI. ½p units have already disappeared from a lot of prices, particularly milk and stamps. But in any case traders can price items in fractions of a penny if they wish and simply round the total bill up or down. After all some goods like petrol are in any case priced in decimal points of a penny. The banks will continue to accept ½p coins for sometime after their withdrawal and the Royal Mint will go on accepting them even after the banks cease to do so.

£20 note

The designs of all denominations of banknotes in circulation are kept under review and renewed as necessary. The oldest design now in use is that of the £20 note. This will be replaced by a note similar in design but of different colouration. The Bank of England is taking the opportunity to incorporate a new form of thread and other security features to make it harder to forge. The Bank of England will be issuing full details on 14 November, the day before the note is issued.



File

H. M. TREASURY

Parliament Street, London SW1P 3AG, Press Office: 01-233 3415
Telex: 262405

12 November 1984

CHANGES IN THE CURRENCY

The Chancellor of the Exchequer today announced three decisions:-

- a. the Bank of England will cease to issue £1 notes after 31 December though existing notes will remain legal tender for at least a year;
- b. the half penny coin will no longer be legal tender after 31 December;
- c. a new Bank of England £20 note will be introduced on 15 November.

THE POUND

The condition of £1 notes in circulation is deteriorating fast. They are pushed into pockets, and many of them circulate between traders and customers without being returned to the banks for replacement as often as before. This makes it difficult for the Bank of England to maintain their quality.

The £1 coin has been welcomed in particular by the blind and is proving increasingly convenient for use in ticket and vending machines. It costs a little more to mint than the £1 note costs to print, but the coin is expected to last around 40 years, while the note has an active life of only about 10 months.

Ending the printing of £1 notes will save £3 million in the first year alone, and probably more in subsequent years.

THE HALF PENNY

The decision to withdraw the half penny follows the Chancellor's statement in February that it would cease to be legal tender by the end of the year. It cost more to produce than it is worth.

The banks will continue to accept half penny coins for a limited period in 1985. Thereafter the Royal Mint will continue to exchange them.

THE £20 NOTE

The designs of all denominations of banknotes in circulation are kept under review and renewed as necessary. The oldest design now in use is that of the £20 note. This will be replaced by a note similar in design but of different colouration. The Bank of England is taking the opportunity to incorporate a new form of thread and other security features to make it harder to forge.

PRESS NOTICE
HM TREASURY
PARLIAMENT STREET
LONDON SW1P 3AG
01-233 3415

188/84

NOTES FOR EDITORS

1. General questions on this announcement should be addressed to the Treasury Press Office. Technical questions on the pound coin should be addressed to the Royal Mint - telephone number 01 828 8724.

2. The Government undertook to allow sufficient time for the public to become accustomed to the coin. It is 18 months since its introduction.
3. The status of private bank note issues in Scotland and Northern Ireland is unaffected.
4. Withdrawing the ½p is expected to have no effect on the RPI. Its use in payments has already largely disappeared.
5. The withdrawal of the ½p is subject to the Privy Council's approval of the necessary Royal Proclamation.
6. The Bank of England will be making a more detailed announcement about the £20 note on 14 November.

El con

CONFIDENTIAL

PLS SAMARE
cc: D Willets.



10 DOWNING STREET

From the Private Secretary

25 October, 1984

£1 Note and £1 Coin

The Prime Minister and the Chancellor today discussed his minute of 18 October. She questioned whether the time was right for an announcement of the withdrawal of the £1 note. The Chancellor rehearsed the various points in his minute - the pressures on the Treasury's own public expenditure baseline and the extent to which public acceptance of the coin appeared to be increasing. He proposed that he should announce the withdrawal of the note in the autumn statement as part of the economies needed to meet public expenditure limits.

The Prime Minister accepted that the change would eventually have to be made and that it was not possible simply to cease the printing of new notes while keeping existing notes in circulation. The Chancellor explained that notes had a life of only around nine months. It was agreed that withdrawal of the £1 note could be announced in the autumn statement. But the Prime Minister asked the Chancellor to consider very carefully how best to present this measure.

ANDREW TURNBULL

David Peretz, Esq.,
H.M. Treasury

CONFIDENTIAL

Prime Minister ②

Uneconomic note must close! 22 October 1984

MR TURNBULL

ONE POUND NOTE AND ONE POUND COIN

The Chancellor thinks the time has now arrived to get rid of the one pound note. This clearly makes economic sense - it cuts out 100 public sector jobs, and saves £3 million of expenditure on the small Treasury budget. But earlier the Prime Minister was worried about the political arguments against getting rid of the note. The balance here has surely shifted over the past year, as:

- people are now more familiar with the new coin, and object to it much less

- pound notes are getting nastier and dirtier.

So we support the Chancellor's proposal to announce the withdrawal of the one pound note from the end of the year.

David Willetts

DAVID WILLETTS

6.98 Note: Spoke to
PLCP. Agreed change
Should visit at his lab
RF 22/10

CONFIDENTIAL

Prime Minister ①

CC No



You may like to talk
this over with the Chancellor
before coming to a decision.

AT
22/10

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

£1 NOTE AND £1 COIN

No - too soon.

Earlier this year you indicated that there could come a time when it would be appropriate to abolish the £1. I believe the time has now arrived. The attached note by officials sets out the facts, and the practical and financial reasons for taking action now. The public expenditure Survey has brought these to a head.

2. The Treasury is facing serious difficulties in keeping below its PES baselines because of the continuing costs of financing stocks of unused coins and producing uneconomic notes. The Bank is employing 100 staff which could be saved if the £1 note was discontinued.

3. Ending the note produces a saving of £3.4 million a year. This is needed to keep the Treasury within its baseline. Without it I cannot meet the costs of the Commonwealth Parliamentary Association in 1985-86 and 1986-87 which you asked the Treasury to finance.

You will
save 3.4 m
elsewhere.

4. I need hardly emphasise how embarrassing it would be if the Treasury - which is of course a very small spender - exceeds its baseline because we fail to take a decision which seems a good deal less painful than many which we are asking colleagues to take in the same PES exercise.

No.

5. I also believe that the public are now ready for this change. What letters of complaint we now receive tend to be about difficulties in getting hold of coins rather than objections to it. A Marks and Spencer survey earlier this year put the objection rate to the coin in change as low as 2.6 per cent. More recently the Post Office, a large user of £1 notes and coins, reckoned the objection rate as low as 1 per cent. With few exceptions, the retailers, the vending industries and machine users tell us that they would welcome an end to uncertainty. The



future success of the coin will be jeopardised if there is further delay, and the justifiable criticisms from coin machine operators would be very difficult to meet. And with the exception of the Daily Mail, the press is much more balanced in its comments on the coin.

6. Demand for the coin will rise in the period up to Christmas. If you agree I would propose to build on this momentum by announcing the withdrawal of the £1 note from the end of the year when I outline the other public expenditure measures in the Autumn Statement.

Too soon.
ML

A handwritten signature in black ink, appearing to be 'N.L.' with a flourish.

N.L.

18 October 1984

CONFIDENTIAL

FUTURE OF £1 NOTE AND £1 COIN

This note sets out the position on current levels of £1 coin and note issues, their public acceptability and the cost of continuing co-circulation.

2. As with other programmes, the Treasury has made economies in its own PES programme in order to keep to its baseline. It has not been able to meet in this way the £0.5m grant to the Commonwealth Parliamentary Association, spread over 1985-86 and 1986-87 which the Prime Minister asked the Treasury to finance. More than sufficient savings (£3.4m pa) would be available if the £1 note ceased to be printed by the end of 1984.

3. £1 coins now account for 173m (or nearly one quarter) of the 730m £1 notes and coin in use. Most of the coin issue occurred in 1983, when the coin was launched. This year the rise in circulation was slow at first, but it has accelerated markedly since the early summer (the current level is 15 per cent higher than last December). A further increase in circulation is expected later this year. The Post Office will double its use of the coin (from 20 per cent to 40 per cent of its issues of £1 units). But there are scarcely less £1 notes in circulation now than before the £1 coin was launched 18 months ago.

4. Public reaction to the coin has developed satisfactorily. As circulation has developed over the summer the banks have been left with fewer coins on their hands. Retailers, vending and transport industries, the Post Office, British Telecom and the clearing banks all now say that the public is accepting the coin in place of the note with minimal opposition. A survey by Marks and Spencer in early summer showed only 2.6 per cent of customers actively object to the coin. The Post Office now believe the rate is nearer 1 per cent.

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5. Coin handlers have adapted to the coin. There are exceptions, eg Sainsburys where the coin tends not to be given as change as a matter of policy. But the John Lewis partnership, Selfridges, Marks and Spencer, the Newsagent Association and others have given unequivocal support. Staff often take the lead because the coin is cleaner and easier to handle than the note. The vending industry has committed substantial investment to slot-machines using the coin. Press comment has for some months been more balanced. Letters of complaint are now very few.

6. The public attitude has been influenced by the state of the £1 note, which circulates as small change between retailers and the public as a coin would. The banks cannot therefore exercise quality control. The note's length of life in circulation, now 10 months, has grown slightly this year and the note's quality is starting to generate complaints. These are likely to increase. Without additional resources for the note issue the deterioration of the £1 note will accelerate. It will be hard to explain: to most people "sound money" includes a decent quality of currency.

7. Experience abroad - for instance with the US\$1 coin - suggests that the £1 coin's circulation will remain on a plateau so long as the £1 note keeps going. The major coin handlers all agree.

8. With replacement every 10 months, the £1 note has an annual cost of approximately 1½p. Since the coin costs 2½p but has a 40 year life, the equivalent annual cost is 0.06p. At some stage the PAC may wonder why £1m a year should be tied-up in working capital (stockpiled coins) when, if issued, they would have a payback period of about 2 years; and why notes should continue to be issued when there is a so much cheaper alternative.

9. If announcement of the withdrawal of the £1 note is delayed beyond the end of 1984, the Mint will have to make 30 staff immediately redundant (at a cost of £150,000) who will then need to be re-employed when the announcement is eventually made. Discontinuing £1 note production may mean some redundancies at the Bank of England's printing works but the Bank will bear those costs and rely as far as possible on natural wastage.

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10. Much goodwill on the part of the banks is likely to be lost if the £1 note is not phased out reasonably soon. Such interim steps as they are taking to promote the coin will not be sustained indefinitely.

11. The Christmas period generates a sharp rise in demand for currency and offers the best opportunity for a rapid, economical substitution of the coin for the note. The first step is an announcement in the Autumn Statement that the note is to be withdrawn (indicating when the Bank will cease to issue £1 notes and when the notes will cease to be legal tender). The Mint and the banks have sufficient coin to cope with replacement of the entire £1 note circulation.

Summary

12. Financial and practical considerations point strongly to an announcement in the Autumn Statement that the £1 note will cease to be issued as from 31 December 1984. Ultimate calling-in of the note would occur by the end of 1985. The Mint, the Bank of England and clearing banks are prepared for the possibility of an announcement. Coin stocks are sufficient.

HM Treasury

18 October 1984

ECON POL : The Courage : Nov 80



Royal Mint

7 Grosvenor Gardens, London, SW1W 0BH. Telex 267321 Telephone 01 828 8724-8

7 August 1984

Robin Butler Esq
10 Downing Street
LONDON SW1

Prime Minister

ms

To note

Dear Robin

D-7/84

The Chancellor thought the Prime Minister would wish to know that tomorrow Buckingham Palace will announce the Queen has approved two new coinage effigies for use on the United Kingdom coinage with effect from 1 January next.

The palace has arranged for Commonwealth governments to be informed in advance.

I am copying this minute to Len Appleyard (FCO) and Hugh Taylor (Home Office).

Yours ever

Daniel

D L C PERETZ
Principal Private Secretary



26 January 1984

Withdrawal of 1p Coin

The Prime Minister has seen the Chancellor's minute of 23 January recommending the announcement of the withdrawal of the 1p coin. The Prime Minister is content with this.

Copies of this letter go to Callum McCarthy (Department of Trade and Industry) and Ivor Llewelyn (Ministry of Agriculture, Fisheries and Food).

Andrew Turnbull

John Kerr Esq
HM Treasury.



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 8000

Prime Minister
To discuss at next
bilateral? I suspect this
would be politically popular

AT
24/1

Agreed

PRIME MINISTER

WITHDRAWAL OF $\frac{1}{2}$ p COIN

You will recall that when I approached you in September about a possible announcement of the phasing-out of the £1 note, I suggested that we deal at the same time with the withdrawal of the $\frac{1}{2}$ p coin. Now that we have decided, for the time being, not to make any announcement on the £1, we need to look separately at the $\frac{1}{2}$ p. As you know, the coin has few, if any, defenders, and I should therefore like, if you are content, to announce as soon as practicable that the $\frac{1}{2}$ p coin will cease to be issued by the Royal Mint after the end of March 1984 and that demonetisation will follow by the end of the year. I enclose a proposed Written Answer.

2. As I said in my September minute, the public now recognise that the coin no longer has any real purchasing power, and literally throw it away. The only two areas where its demise could possibly cause concern are stamp and milk prices. The Post Office, I am told, are not proposing any increase in stamp prices before June or July; the new prices are expected to be in whole pence. There is no problem with the prices for normal milk, where the statutory maximum price is 21p, but premium milks are currently priced in $\frac{1}{2}$ p units. However, they account for only about 15 per cent of total milk sales and I gather that Michael Jopling would round down as many as are rounded up. He can only inform the milk industry of these price changes once the announcement of the coin's withdrawal has been made.



3. I would also propose to take advantage of an offer made by Sir John Sainsbury to state publicly that if the $\frac{1}{2}$ p were withdrawn Sainsbury's would round down as least as many prices as they round up.

4. Copies of this minute go to Norman Tebbit and Michael Jopling.

N.L.

(N.L.)
23 January 1984

WRITTEN ANSWER

"I have considered the evidence carefully and have decided that the $\frac{1}{2}$ p coin no longer fulfils a useful function in the currency. Moreover, it is now costing more to make than its face value. The Royal Mint will therefore cease to issue $\frac{1}{2}$ p coins from 1 April 1984.

The $\frac{1}{2}$ p is currently worth less than the farthing when it was demonetised in 1960 and the old halfpenny when demonetised in 1969. The impact on the RPI of its withdrawal should be negligible.

The $\frac{1}{2}$ p coin will remain legal tender for the time being. But I expect formal demonetisation to follow by the end of the year."

2 ... 1984



Flow Pol
The Coinage
Nov. 80

CONQUEROR



CONFIDENTIAL

File Sub



10 DOWNING STREET

From the Private Secretary

14 December 1983

ONE POUND COIN/ONE POUND NOTE

At the bilateral with the Chancellor today, the Prime Minister said that she had thought further about the political impact of withdrawing the one pound note. Various soundings indicated that this would be politically unpopular and she concluded that this was not the right moment to attempt this move. It was agreed that the Chancellor would reconsider and report back in a few months time.

A. TURNBULL

John Kerr, Esq.,
HM Treasury.

CONFIDENTIAL

Kb



10 DOWNING STREET

Prime Minister

At your bilateral with the Chancellor on 5 October you agreed in principle to substitution of £1 note by £1 coin. Chancellor undertook to consult you on timing of announcement.

There is unease in political circles about this - see attached note from Policy Unit. Chancellor is seeking soundings via Chief Whips office.

No action is needed at present until Chancellor returns with proposals.

AT

Can we withdraw ^{29/11}
the coin - and tell it is
a numismatic (?) attention
not

PRIME MINISTERTHE POUND NOTE AND THE POUND COIN

The Treasury plans in the next few days to announce its intention to phase out the pound note in favour of the pound coin. We feel this is likely to be highly unpopular and particularly calamitous in present political circumstances.

1. The pound coin remains highly unpopular. Most people are very reluctant to carry them, and most shops loth to give them in change. I can recall being given pound coins in change only a couple of times in the last 6 months, and on both occasions being given them with apologies. The Treasury claim that 20 per cent of all pounds are held in coins rather than notes. I suspect a great number of those are being shifted from one bank till to another.
2. All rows about new coins are much more heated and last much longer than the authorities expect. In this case, the public has already had a chance to choose, and has overwhelmingly chosen the pound note. The row would drag on for months, and I can imagine the newspaper campaigns that would be mounted, especially by usually sympathetic newspapers such as the Mail and the Express.
3. The Government is now being widely accused of having lost its touch, and much of the blame for this - I think largely imaginary - feeling is laid at Nigel's door. If he were to add to his reputation for being "arrogant" and "clumsy" the nickname of "The Chancellor who Killed the Pound Note", his position would be made very difficult.
4. Of course, there is a saving to be made by replacing notes with coins. But the saving is made at the expense of the convenience of people who do not want their pockets loaded down with change, and the saving is in any case not very large in comparison with what a government and a Chancellor in a strong political position can achieve in a normal PESC round.
5. Any decision to take account of past inflation by changing a note for a coin inevitably reminds the public of the huge fall in the value of money. Since we are now in a low-inflation

era, do we really want to revive memories of the years of high inflation in a way which accentuates our own responsibility for them?

We do not need now to take a decision whether or not eventually to replace notes with coins. We could therefore say, if asked, that we had decided to give the coin a longer time to prove its usefulness.

We therefore recommend very strongly that the Treasury make no announcement at this time about any date for phasing out the pound note.

FERDINAND MOUNT

fm

CONFIDENTIAL



EW

10 DOWNING STREET

From the Private Secretary

6 October, 1983

DEVELOPMENT OF THE COINAGE

The Chancellor of the Exchequer minuted on 14 September proposing the withdrawal of the £1 note on 1 January 1985 and an end to the issue of the $\frac{1}{2}$ penny coin from March 1984. The Prime Minister has approved both proposals.

AT

J. Kerr, Esq.,
HM Treasury

CONFIDENTIAL

MR



Prime Minister

 Agree?
 MS 21/9

④

D

Treasury Chambers, Parliament Street, SW1P 3AG
 01-233 3000

PRIME MINISTER

DEVELOPMENT OF THE COINAGE

We have reached the stage when we need to take decisions on the withdrawal from circulation of the £1 note and ½p coin. We also need to consider the possible replacement of the 10p coin with a lighter version and to give some thought to the possible future development of the rest of the coinage.

2. The £1 coin is now becoming reasonably well established. After some initial critical comment (which was relatively light compared to other coinage changes) the public have accepted the changes. Current complaints about the poor condition of £1 notes merely reinforce our earlier judgement that people tend to use the £1 note as if it were a coin, and confirm the need for a coin, since it would have been expensive to attempt both to preserve the £1 note and to improve its quality.

3. Some 147m £1 coins have been issued; these represent just over 20 per cent of all £1 units. The proportion is rising steadily, although this is a period of the year when demand for new coin is normally low. The clearing banks have made clear to us informally that they want an early announcement about the withdrawal of the £1 note, as do operators of coin slot machines and traders. People need to know what we have in mind so that they can plan accordingly. We therefore need to announce the date on which the Bank of England will cease to issue £1 notes; formal demonetisation can come later.



4. My judgement is that we should make a reasonably early announcement that £1 note issues will end on 1 January 1985. The Mint will have a sufficient supply of coins ready. That date is consistent with our view from the outset that we should give a fairly long period for the public to become accustomed to the coin, which was first issued on 21 April 1983.

5. The second firm decision we need to take is on the future of the $\frac{1}{2}$ p coin. The $\frac{1}{2}$ p costs significantly more to produce than its face value. Moreover, the evidence shows that the public no longer recognise the coin's purchasing power and quite literally throw it away: it is now worth less than the $\frac{1}{2}$ d when that was demonetised in 1969. As for the short term effect on prices in the shops, Sir John Sainsbury has recently confirmed in correspondence with Peter Rees his considered judgement that competition would produce as much rounding down as rounding up. I understand that even if this view does not hold water, the effect on the RPI would be minimal.

6. My view is that the Mint should stop issuing this friendless coin from March 1984. Formal demonetisation would follow some months later.

7. In the past, announcements on the £1 coin have been made by written Parliamentary answer. We could follow that practice on this occasion. On the other hand, we do not want to provoke complaints that we are avoiding discussion. So, subject to your views, I am inclined to favour inspiring an oral question on the future of both the £1 note and the $\frac{1}{2}$ p coin on 24 November. The question may, of course, not be reached. In that case, we shall provide a fairly full written answer and shall still escape any criticism that we have deliberately stifled debate.

N.L.



File 16
cc R. Ingham

10 DOWNING STREET

From the Private Secretary

30 April 1981

THE COINAGE

At their meeting this morning, the Prime Minister and the Chancellor had a word about his proposal for regional variants of the new £1 coin. The Prime Minister repeated her earlier comment that this seemed a needless complication. The Chancellor, however, explained that there would be no significant additional cost, and there would be some political benefit in the regions. The Prime Minister accordingly agreed with the proposal.

T. P. LANKESTER

A. J. Wiggins, Esq.,
h.M. Treasury.



84

cc: Bernard
Ingram

10 DOWNING STREET

From the Private Secretary

28 April 1981

? for 9.15 Thursday 30/4

Dear Mr.

The Coinage

The Prime Minister has considered the Chancellor's minute of 14 April, and has commented that the proposal to have regional variants of the £1 coin seems a needless complication. She had understood that the purpose of introducing the new coin was to simplify matters.

Perhaps the Chancellor would like to have a word about this with the Prime Minister when he sees her on Thursday morning.

~ ~

Tin Laker.

John Wiggins, Esq.,
HM Treasury

856

cc Mr Ingham

1



PRIME MINISTER

This seems worth

Treasury Chambers, Parliament Street, SW1P 3AG doing - Contact?
01-233 3000

MS

14/4

PRIME MINISTER

This seems a needless
complication. I thought our
purpose was to simplify these
matters. not.

THE COINAGE

Since my announcement on 27 January of the issue of a new 20p coin and a new £1 coin in 1982 and 1983 respectively, some thought has been given to the possibility of issuing regional variants of the coins. This would only marginally increase the initial cost of producing the coins and we consider it might make the coins more generally acceptable and that there would be clear political attractions in such action.

2. Nigel Lawson has discussed this issue with Ministers from the Scottish, Welsh and Northern Ireland offices and agreement has been reached that no regional variant of the 20p coin should be issued but that Scottish and Welsh variants of the £1 coin should be issued - possibly in 1984 and 1985. The Secretary of State for Northern Ireland is still considering his position but there is a long-standing difficulty for Northern Ireland in selecting an heraldic design which is free from sectarian connotations. In 1968 it was announced that a Northern Ireland regional variant of the 2p coin would be issued in 1972 but in fact it was never minted because agreement could not be reached on a suitable design and the same problem will arise on the £1 coin. Nevertheless the Northern Irish would if possible like to

/have their own



have their own regional variant if the Scots and the Welsh are to have theirs and they are endeavouring to find a solution to the problem. If agreement is reached on the issue of such a coin, this would on the present timetable take place in 1986.

3. The next stage will be to bring in the Royal Mint Advisory Committee. They will be meeting at the end of April to consider the designs for the main UK version of the £1 coin and the 20p coin and the Royal Mint would wish to advise them of the decision made on regional variants at the same time so that they have the complete picture. The Royal Mint would subsequently commission designs for the regional variants to be considered by the Advisory Committee at a later stage.

4. If you are content, I would propose to inform Parliament at the same time as announcing the precise specifications and date of issue of the new coins which I told the House I would do after consultations with the main users of the coin were complete. The consultations have been going well and we should be ready to announce the outcome by early June.

A handwritten signature in black ink, appearing to be 'G.H.' with a flourish.

(G.H.)

14 April 1981

File

dey

from
Pd

3 March 1981

Thank you for your letter of
24 February.

I have now shown the Prime Minister
the new £50 note which you enclosed and
also the draft press notice. She is
grateful to the Governor for having this
sent over.

I am returning the £50 note in this
envelope.

T.P. LANKESTER

S. P. Collins, Esq.

KRB

CONFIDENTIAL

TELEPHONE
01-601 4444

BANK OF ENGLAND
LONDON EC2R 8AH

2
24 February 1981

T P Lankester Esq
The Prime Minister's Office
10 Downing Street
London SW1

Prime Minister

*The Governor has
asked me to
show you the new*

note - 1/2 50 note .

As promised on the telephone this morning, I am enclosing a proof of the new £50 note. The Governor would be grateful if you would show it to the Prime Minister. I also enclose an early draft of the Press Notice which will announce the issue of the new note. For your information, the designs were submitted to Her Majesty The Queen in February 1980.

The note will be available for issue to the public on Friday 20 March, immediately following the Queen's visit to the Printing Works on 19 March.

I should be grateful if you would let me know when the Prime Minister has seen the note so that I can arrange for it to be collected.

S P Collins
S P Collins
Assistant Private Secretary
to the Governor

TEMPORARILY RETAINED J. Gray 30/7/2016

THIS IS A COPY. THE ORIGINAL IS
RETAINED UNDER SECTION 3 (4)
OF THE PUBLIC RECORDS ACT

PRESS NOTICE
(for issue on the afternoon of 19 March 1981)

BANK OF ENGLAND NOTES

NEW £50 NOTE

The Bank of England announce that a new note of £50 denomination will be available for issue to the public tomorrow, Friday, 20 March. This completes current plans for the issue of Bank of England notes of the present series.

Like the other denominations in the present series of Bank notes (£20, £10, £5 and £1), the front of the note bears a portrait of Her Majesty The Queen and the back that of an historical figure; in this case, it is that of Sir Christopher Wren, whose design for St Paul's Cathedral has provided much additional subject matter for the note.

The portrait of Her Majesty in her State Robes is the same as that used on the present £20 and £10 notes. The portrait and the rest of the main front design (the lettering, a medallion of Britannia and areas of engraved work which include the £50 denomination guilloche) are printed by the intaglio process; for the first time in Bank of England notes, this printing is in multi-colour - olive green, brown and grey - instead of monochrome. The rest of the front of the note is printed by the offset process and features a Phoenix based on a design by Sir Christopher Wren and also patterns derived from various design features of St Paul's Cathedral. These features are printed mainly in orange, purple and ochre.

The main feature on the back of the note, which is also printed in multi-coloured intaglio, is a new portrait of Sir Christopher Wren, which has been specially created for the note from the Closterman and Kneller portraits. The scene which forms a background to the portrait is based on a view of St Paul's from the River Thames as engraved by S & M Buck and published in 1749. St Paul's is also featured in the form of a floor plan and the design of the denomination guilloche which is developed from the Grinling Gibbons wood carvings in the South Choir Aisle of the Cathedral. The rest of the back of the note is printed by the offset process, mainly in orange, blue and ochre. In the decorative sky, patterns from the Cathedral and a section from Flamsteed's "Atlas Coelestis" of 1729 are combined to reflect Wren's interest in astronomy.

The watermark is a portrait of Her Majesty The Queen and is the same as that used on the £20 note.

The note contains a new type of Security Thread. It is wider than the threads in the other denominations of Bank of England notes and has one edge contoured in a regular pattern.

The size of the note is 95 mm x 169 mm ($3\frac{3}{4}$ " x $6\frac{5}{8}$ "), slightly larger in both height and length than the £20 note. This is consistent with the Bank's policy of using differential note sizes as a means of assisting the blind to distinguish between denominations.

The note has been designed by H N Eccleston OBE PRE RWS who is the Bank's Artist Designer. Apart from the engraving of the portraits, which was carried out by Alan Dow of Bradbury Wilkinson and Company Limited of New Malden, all work on the preparation of this note has been carried out by staff of the Bank of England Printing Works at Loughton, Essex, where the notes are printed.

The paper is manufactured by Portals Limited of Overton, Hampshire. The contoured Security Thread is a Bank of England invention; the cutting of the thread was carried out on equipment specially designed and manufactured for the Bank by the Culham Laboratory of the United Kingdom Atomic Energy Authority.

NEW VERSION OF THE £1 NOTE

The Bank of England also announce that, in consequence of changed printing methods, a slightly altered version of the £1 note will be available for issue to the public tomorrow.

The existing version of the £1 note of the present series, which was first issued to the public on 9 February 1978, was printed on both sides by sheet-fed machines using the offset method. The new version of the note is being printed on Web presses similar to those used for production of £5 notes: these print the front main design by the intaglio process and the back by offset lithography. The overall appearance of the new version of the £1 note is little changed but the following detailed features distinguish it from the existing note:-

FRONT

- 1 The intaglio printing (Her Majesty The Queen's portrait, the denominational guilloche and the lettering) is perceptible to the touch: it also gives the paper more of the traditional 'feel' of a Bank note.
- 2 The portrait of Her Majesty is rather more sharply defined.
- 3 The new notes bear the signature of Mr D H F Somerset, who has succeeded Mr J B Page as Chief Cashier.

BACK

1 The portrait of Sir Isaac Newton is rather more lively and is printed wholly in green.

2 The general appearance is enhanced by the inclusion of additional background tints - mainly lilac, light green, yellow and pink.

3 A small letter 'W' (indicating Web printed) appears in the lower left-hand corner.

The serial numbers of the new^{E1} notes will commence with the cypher AN01 000001.

Bank of England

Esq PD



cc Cabinet
to
Mr Ingham

10 DOWNING STREET

From the Private Secretary

23 January 1981

The Chancellor of the Exchequer
minuted the Prime Minister on 21 January
about the coinage.

This is to confirm that the Prime Minister
is content for the proposal for the 20p and
1 coins to be announced by Written Answer
next Tuesday.

I am sending copies of this letter
to Private Secretaries to members of the
Cabinet and to David Wright (Cabinet Office).

J. P. LANKESTER

A J Wiggins Esq
HM Treasury

sp



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

THE COINAGE

Following our discussion on 19 December about the proposal for 20p and £1 coins, you will wish to know how it is intended to proceed.

2. I propose that Parliament be informed on Tuesday, 27 January by means of an arranged PQ for Written Answer of the Royal Mint's recommendation that both a £1 coin and a 20p coin should be introduced within the next three years. A Press Notice will be issued following the announcement giving the text of the PQ and Answer and more detailed background for Editors.

3. The Royal Mint has proposed that as the £1 note is not suitable for the frequent handling to which it is now subject because of its greater use as part of everyday change, nor for use in vending machines a £1 coin should be introduced. I am satisfied that within the next three years the stage will have been reached where such a coin would form a useful addition to our coinage and that it would also be a cheaper means of providing this unit of currency in the longer term because of the very much longer life of a coin against a note.

4. One of the problems of introducing a £1 coin is, of course, the additional weight which this will add to an already relatively heavy coinage. I have therefore decided that the £1 coin should be comparatively small - the coin envisaged will be of the same diameter as, though thicker than, the gold sovereign - and also that a 20p coin should be introduced approximately a year before the £1 coin to reduce the number of 10p coins in circulation and thus the overall weight of the coinage.

Copy to Mr. Deacon
No. 50000.

From: Minister.

Content for the Chancellor
to make his announcement
next Tuesday by written
Answer and with his proposals
for consultation?

21i

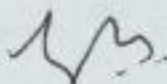


5. Before the new coins are introduced the Royal Mint intend to consult the banks and other bodies heavily involved with the use of coin using a pamphlet which has been especially prepared for the purpose. Discussions will be held where necessary, and the Treasury and the Bank of England will be closely associated with these consultations at all stages. Copies of the pamphlet will also be made available to all MPs and to Members of the House of Lords.

6. I do not propose that a Green Paper should be produced or the public consulted directly, though I hope that their views will be reflected through cash handling organisations. The proposals do however reflect market research which was carried out by the Royal Mint at an earlier stage and numerous comments already received by the Treasury and the Royal Mint.

7. I envisage that the process of consultation will take about six months and that any major snags, e.g. with the specifications for the coins, can be identified and dealt with in this period so enabling us to keep to the intended timetable for introducing the coin.

8. I am copying this minute to Cabinet colleagues and Sir Robert Armstrong as I thought they would wish to be aware of the proposals in confidence in advance of the announcement.



(G.H.)

21 January 1981



JS

From P.M.

10 DOWNING STREET

From the Private Secretary

22 December 1980

Mr. Maiter out.

Dear Mrs.

THE COINAGE

The Chancellor and the Deputy Master of the Mint called on the Prime Minister last Friday to discuss the proposals for a new 20p coin and a new £1 coin. The Chancellor had already sent the Prime Minister a minute on 20 November on this.

The Deputy Master showed the Prime Minister examples of what the new coins might look like. The Prime Minister said that she liked the 20p coin, but she did not find the £1 coin altogether attractive. She would prefer a larger and heavier coin. The Deputy Master explained the problems of introducing a larger and heavier £1 coin without changing the coins of lower value which would be very expensive; and in any case a large coin would almost certainly be opposed by the banks and retailers.

The Prime Minister said that, despite her misgivings about the £1 coin, she was content for the proposals to be put out to consultation.

Yours,

Tim Laker.

A.J. Wiggins, Esq.,
H.M. Treasury.

JS

MISS STEPHENS

- Please arrange a meeting. (Guld)



Arranged for
1545 at
Malo on
Tuesday - 16/12/80

10 DOWNING STREET

From the Private Secretary

24 November 1980

AF 15.12.80

The Prime Minister has read the Chancellor's minute of 20 November about the coinage. She agrees that the Chancellor should discuss this matter with her along with the Deputy Master of the Mint; and we shall be in touch with you to arrange a meeting.

In the meantime, the Prime Minister has commented that, if it is decided to go ahead with £1 and 20p coins, it would be necessary to consult with consumer organisations and the financial institutions, and that it might also be necessary to have a short debate in the House of Commons; in the latter connection, she suggests that it might be appropriate for the debate to take place on a Private Member's Motion.

J. P. LANKESTER

Peter Jenkins, Esq.,
HM Treasury



Royal Mint

7 Grosvenor Gardens, London, SW1W 0BH Tel: 01 267 3211 Telex: 267321 JTB G Fax: 01 828 8724-8

Am. Mint

We should have consulted with consumer organisations in the House
stands up, and have a short debate - (Mint's members vetoed?)

The Chancellor would like to discuss these proposals with you - along with the Deputy, Mark of the Mint. Shall we arrange?

PRIME MINISTER

THE COINAGE

I should like to take your mind on questions relating to the coinage.

Yes. not R

2. You will be aware that there is increasing public, commercial and Parliamentary interest in a £1 coin. (Jersey very recently announced the proposed introduction of a £1 coin and a similar announcement by Guernsey is expected in a week or two.) All the signs are that this interest will become increasingly intense, so a decision in principle needs to be taken very soon. The Royal Mint is ready with concrete proposals.

3. There are practical reasons for the introduction of a £1 coin. The vending industry is pressing for it, because the 50p is no longer of sufficient value for the higher priced goods and services available through their machines. London Transport has a special problem, with booking office queues growing in length because many fares are now too high for purchase with the quantity of coins normally carried by the public. Other urban transport systems will be running into the same problem.

4. In public expenditure terms there would in due course be a saving from the switch from banknotes to coin because coins last so much longer than notes. These savings would begin to emerge in the longer term (over six years), but there are various ways open to us to keep down the initial cost of the switch. The most obvious of these is to resist

/the natural





the natural urge to make the £1 coin something rather heavy and impressive.

5. There seems to be a strong case for choosing a fairly small piece for the new unit.

6. The British coinage is already heavy by international standards and replacement of the £1 note by a coin will inevitably, in the first instance, make the average pocketfull or purse-full of coins still heavier. People at present carry, on average, three £1 notes. The banks and security organisations will also argue strongly that a switch from notes to an unduly heavy coin will add unnecessarily to their transport costs - and the more so the heavier the coin.

7. The Royal Mint, having weighed up the arguments and looked at all the risks of confusion with other British coins - and foreign ones too - have recommended a £1 coin made of a yellow metal, minted to the same diameter and weight as the gold sovereign. This emerges as quite a thick coin on which edge lettering, an important security feature, would be possible. Since metal represents roughly half the cost of minting new coins, a larger diameter coin would not be economical. There is also a presentational advantage in associating any new £1 coin with its predecessor, the sovereign.

8. While the introduction of a £1 coin would add to the weight of the coinage as a whole, we fortunately have another option to hand which would go some way in the opposite direction. There is an increasingly obvious gap between the 10p piece, which is a heavy coin and often carried in quantity, and the 50p piece. The Royal Mint (drawing on an earlier recommendation of the Decimal Currency Board) has proposed a 20p piece in the form of a seven-sided cupronickel coin (with a breadth of about $\frac{1}{4}$ inch). This would lighten the coinage as many of the existing 10p pieces would be replaced by the new coin. A 25p coin might be thought to

/be more



be more appropriate. I have considered this but concluded that it would not be so. The advice is that a 20p coin would lead to more 10p pieces being returned: it would therefore be more economical because more metal would be saved, as well as being more efficient in lightening the coinage.

9. The proposal of the Mint is that we should be able to issue the 20p in 1982 and to start phasing in the £1 coin in 1983 without exceeding the current provision for public expenditure on coins and bank notes. We do not envisage a high speed replacement of all £1 notes with coins; people may well prefer to retain notes for their larger transactions. This could be judged as we went along.

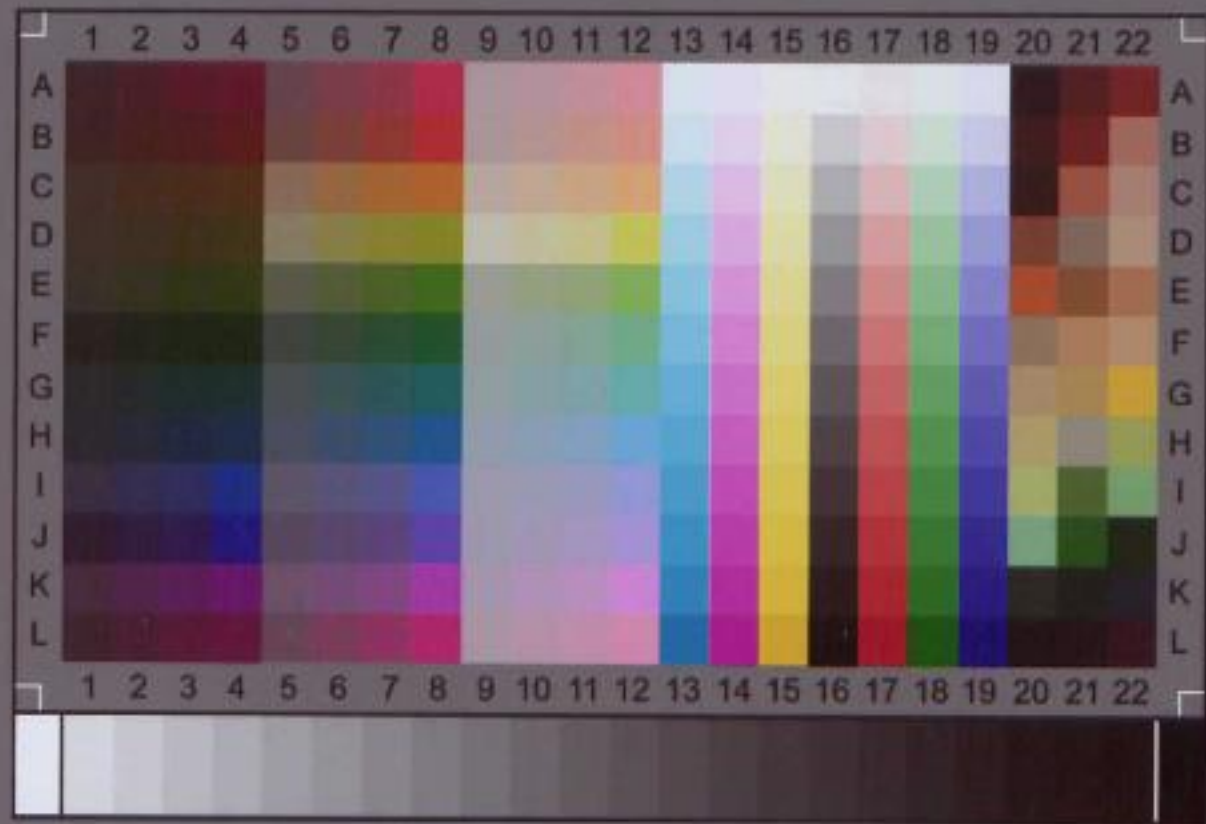
10. These two firm proposals would be compatible in the longer run with the evolution of a generally smaller coinage, and the Royal Mint has examined the options in this area. However I do not see any advantage in imposing on the country a general upheaval, apart altogether from the cost aspect, of sweeping the whole present coinage away and starting again.

11. Personally, therefore, I see a lot of sense in the present proposals. Peter Rees, who leads for us on Mint matters, takes the same view.

12. May I suggest that we follow up this note with a meeting. I would like to bring with me the Deputy Master of the Mint, Dr. Gerhard, who will have a sample set of coins for your inspection.

G.H.

(G.H.)
20 November 1980



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