

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

4 – 6 June 2013

Question: **BET 31**

Topic: **APRA Resources**

Hansard Page: **Tuesday 4 June 2013, Page 124-125**

Senator BUSHBY asked:

Senator BUSHBY: As I understand it, APRA is largely, or entirely, self-funded?

Dr Laker: Almost entirely. That has not always been the case, but, at the moment, it is almost entirely self-funded.

Senator BUSHBY: That is through fees paid by ADIs and insurance companies and superannuation funds.

Dr Laker: Yes, that is the levies model. We have been following that model since 1998.

Senator BUSHBY: Currently you raise about \$115 million from those fees or sources?

Dr Laker: It is in that order for us, but the levy framework also has us raising fees on behalf of ASIC for consumer protection matters, ATO, SuperStream, the Department of Human Services, for early release of superannuation. So we are the collecting agency for specific functions of other agencies.

Senator BUSHBY: How has the proportion of APRA costs recovered from industry changed over the last 10 years?

Dr Laker: I would have to take that on notice to give you the specifics, but broadly I do not think the distribution has changed greatly, certainly over the last couple of years, because it is based essentially on a four-year moving average in any event. But the way in which we calculate the need to levy a particular industry is to look at the amount of time we spend supervising that industry and developing policy for that industry, so it is essentially a time based system. That can vary from year to year. There are years when we might be doing superannuation licensing, when the superannuation claim might be higher. But to even out those peaks and troughs, as I say, we have used a four-year moving average. That means that those spikes, those troughs, get evened out.

Senator BUSHBY: So, if APRA uses a larger amount of its resources in superannuation one year, that might not reflect the fees that are raised, but over four years, with that moving average, the workload of APRA should roughly match the fees that are raised. So, if superannuation is taking 30 per cent of your resources, hopefully over the four-year average 30 per cent of the fees raised would come from that sector?

Dr Laker: That is the broad framework. There is a levies paper that was released last week by the Treasury and APRA which looks at the calculation of levies for next year. Some of that detail is explained there. I can give you a 10-year perspective, but I would have to take that on notice.

Senator BUSHBY: Do you have the information of what proportion of your current fees are raised from each of banking, super and insurance?

Dr Laker: I do not have it in front of me here. I can get that for you very easily. What I could say is that banking is around the 40 per cent mark. I think superannuation has been around the 25 per cent mark. Insurance is the residual, and it is divided between life insurance and general insurance. I think general might be 19, but I do not want to trust my memory on this particular point.

Senator BUSHBY: Okay, but roughly in that order?

Dr Laker: Yes.

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Answer:

With the exception of a Special Appropriation to support its activities during the global financial crisis, the Australian Prudential Regulation Authority (APRA) has been almost entirely funded through levies since its inception in 1998. Each year, the Treasury and APRA release a consultation paper, *Proposed Financial Industry Levies*, for the subsequent financial year. This paper provides a level of detail on APRA's costs, activities and other sources of revenue. The levy amount sought from industry is the net of APRA's budgeted costs, revenue from other sources (for example, fees for service) and any over / under recovery of levies from the prior year. The consultation paper for 2013/14 is at:

<http://www.treasury.gov.au/ConsultationsandReviews/Submissions/2013/Proposed-Financial-Industry-Levies>

and the consultation papers for previous years are also available from the Treasury website.

A breakdown on the proportion of levies raised from each industry is shown below.

APRA's costs: levies by industry

	Authorised deposit-taking institutions		Life insurance / Friendly societies		General insurance		Superannuation		Total	
	\$M	%	\$M	%	\$M	%	\$M	%	\$M	%
2013/14	49.1	42.5	11.3	9.8	21.1	18.3	34.1	29.5	115.6	100
2012/13	46.9	41.5	10.6	9.4	19.4	17.2	36.0	31.9	112.9	100
2011/12	40.7	41.0	10.7	10.8	19.0	19.2	28.8	29.0	99.2	100
2010/11	38.2	42.6	9.8	10.9	20.2	22.5	21.5	24.0	89.7	100
2009/10	39.2	41.7	10.6	11.3	20.2	21.4	24.1	25.6	94.0	100
2008/09	34.5	39.7	9.0	10.4	18.6	21.4	24.8	28.5	86.9	100
2007/08	29.2	38.9	6.3	8.4	15.6	20.8	23.9	31.9	75.0	100
2006/07	29.9	33.8	7.0	7.9	17.3	19.6	34.2	38.7	88.4	100
2005/06	28.4	34.3	7.8	9.4	16.7	20.1	30.0	36.2	82.9	100
2004/05	26.9	34.7	8.7	11.2	13.3	17.2	28.6	36.9	77.5	100