

**Senate Economics Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Budget Estimates

2014 - 2015

**Department/Agency: Reserve Bank of Australia**

**Question: BET 14**

**Topic: ATM fees**

**Reference: Hansard page no. 54 - 01 June 2015**

**Senator: Ketter, Chris**

**Question:**

Senator KETTER: Dr Edey or Mr Campbell, I just want to venture into the vexed issue of ATM fees and get an update on the work that RBA did in 2009, I think it was, where you recommended some changes that take place with the hope that that would lead to more competition and a reduction in ATM fees generally. Over that period of time, there is some evidence to suggest that that unfortunately has not occurred. In fact, there may even be some evidence that it is on the rise. Is this something that the bank is monitoring? Do you have concerns about this issue?

Dr Edey: We do keep data on that. I have not got that at my fingertips at the moment.

Impressionistically, the fee structure has probably been fairly stable over recent years, but we can get you more detailed data on that if you want that.

Senator KETTER: Does that surprise you, that the fee structure has remained relatively static?

Dr Edey: Not really, even if you compare the pre- and post-reform period, the fee structure actually did not change all that much. All that really happened was that the fees became transparent. So instead of your bank charging you, the fee became visible at the ATM if you are using an ATM that is not one from your own network. The point that we have repeatedly made is that that change is actually an improvement for consumers because it gives them the capacity to avoid the fees by making greater use of their own networks.

Senator KETTER: I think there were figures last year to suggest that there is still half a billion dollars a year being charged to customers through these fees. Do you see any scope for further reform in this area?

Dr Edey: It is not something that we have got on the radar screen at the moment. A relevant point here is that there are some big networks out there which cover most people. So most cardholders have got access to a large fee-free network and you are incurring fees if you want the convenience of using an ATM that is outside your own network. The system has to allow an incentive for ATM providers to offer that service. Would you rather not have the option at all of finding a convenient ATM or would you rather pay a fee for it? That is the system that we have, but we do not have any particular plans to review that at this stage.

Senator BUSHBY: What about in remote areas like remote Indigenous communities where there is very little choice and no bank that may be in their own network? Is there any work that has been done in assisting people in that area where people may have quite exorbitant fees charged or in the past have had quite exorbitant fees charged, even just for checking their balance to see whether their money has come in yet?

Dr Edey: A few years ago we did a very detailed piece of work on that, in conjunction with Treasury. All of that is published. The conclusion from that work—we actually sent a team out to a remote community to investigate that—was that there was a problem in that particular area. We asked the major banks to work on that and find a collective solution

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which would allow fee-free access in those areas. I believe that that solution is in place and working.

Senator BUSHBY: Would you take it on notice and provide a little information as to what that solution might be?

Dr Edey: Okay.

#### **Answer:**

##### **ATM Direct Charges**

There are no recent comprehensive data on ATM direct charges for the use of 'foreign' ATMs. Data from the Payments Consulting Network (PCN) indicate that between 2010 and 2013 the 'average typical' direct charge in its sample rose by 16 cents, to \$2.23, in line with inflation. Notably, the typical major bank direct charge is \$2.00, the same as the pre-reform 'foreign fees' charged by the major banks. Pricing developments are occurring in the context of declines in ATM volumes (averaging around 5 per cent per annum in recent years).

More generally, the majority of ATM transactions are provided free of charge by a customer's own financial institution. In 2011, the Bank estimated that around 70 per cent of ATM withdrawals incurred no fee, with nearly all consumers having free access to a network of ATMs numbering in the thousands. There is evidence that the percentage of withdrawals that are free of charge has risen since then; the Bank's Survey of Consumer Use of Payment Methods suggests an increase of around 8 percentage points between 2010 and 2013. The use of fee-free eftpos cash-out has also increased relative to ATM use.

##### **Fee-Free ATM Arrangement for Very Remote Indigenous Communities**

The 2011 ATM Taskforce found that residents of very remote Indigenous communities were paying more in ATM charges than other Australians owing to a combination of cultural factors and the fact that only independent ATMs (which charge all customers a fee) were viable in those locations. In response, a group of 15 institutions and the two largest independent ATM deployers agreed on a scheme voluntarily to provide up to 85 fee-free ATMs in remote Indigenous communities in the Northern Territory, Queensland, South Australia and Western Australia. The scheme commenced in December 2012.