

## Senate Standing Committee on Economics

### ANSWERS TO QUESTIONS ON NOTICE

#### Treasury Portfolio

Additional Estimates 2012

15 – 17 February 2012

Question: AET 1237-1239

Topic: Commitments to employment for the Bank guarantee

Hansard Page: 64

Senator Waters asked:

During the GFC, guarantees were put in place for the banks. Even if they were not drawn on they obviously reduced the costs for banks of raising funds. Given that those measures were designed to maintain employment, were the banks asked to give any commitments about maintaining employment of Australian bank staff at the time?

Mr Murphy: For the wholesale funding guarantee the banks were set a fee. The banks gave commitments to the government that they would be sensitive to people losing jobs, in terms of their mortgage rates. They also made commitments that they would be accommodating with respect to lending to small business, if small business found themselves in difficult situations through the rapid downturn in the economy.

I cannot remember at the time whether they gave us a commitment—they may have—on their staff, but they did give us a commitment that they would be understanding of people who had lost their jobs and had mortgage payments. So there was some accommodation reached with the banks over that. They made that commitment to the Treasurer.

Senator Waters: That is obviously with respect to customers, but my question was in relation to staff. Can you take that on notice.

Mr Murphy: I would probably assume that if they were willing to take account of people who had lost jobs—and, as you say, customers—they would have taken account of their own staff. I cannot remember if we specifically addressed the staff, but I would have assumed that.

Senator Waters: I am interested in whether they were asked to maintain their levels of employment and also whether that was a condition they agreed to.

Mr Murphy: I cannot recall. We agreed with them on the other things. I just assume that that would have been the case, but I can find out.

Senator Waters: If you could take that on notice, that would be great. When approving the Commonwealth Bank's takeover of Bankwest, did the Treasurer attach any conditions about the treatment of existing customers?

Mr Murphy: I would have to check on that. At the time Bankwest, as perceived by official regulators, was in a difficult position. It was expected that the Commonwealth Bank would assume all of Bankwest's business, so they would assume its existing customers.

Senator Waters: I am interested in whether there were any specific conditions imposed about the treatment of those former Bankwest customers.

Mr Murphy: I can check, but I do not think so.

Senator Waters: If you could check on that, it would be great.

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Answer:

The Guarantee of Large Deposits and Wholesale Funding allowed Australian Authorised Deposit-Taking Institutions (ADIs) to raise more than \$160 billion to ensure ADIs could continue to lend to businesses and households, providing vital support for jobs and growth. Rather than imposing non-financial conditions on ADIs that accessed the guarantee, the banks will pay around \$5 billion to access the guarantee over its full life.