

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Supplementary Budget Estimates

21 – 22 October 2009

**Question: sbt 55**

**Topic: Fee & Commission Income for Banks**

**Hansard Page: E62-63 (22/10/09)**

**Senator BUSHBY asked:**

**Senator BUSHBY**—Is Treasury able to provide any information about fee and commission income for banks? If so, what do the most recent figures indicate compared with 12 months earlier?

**Mr Murphy**—Yes, we have tracked that as well.

**Senator BUSHBY**—Could you also assess how the limited fee reductions announced around August will impact on the banks, given their increased market share?

**Mr Murphy**—We have a program—

**Mr Martine**—Certainly, as Mr Murphy has indicated, we collect a lot of that data. A lot of it is undertaken through data collection by APRA. APRA collects a lot of data but more recently, particularly for the last 12 months or perhaps a bit shorter than that, certainly in this calendar year, we have engaged quite actively particularly with the four majors in collecting more data from them and getting a better understanding of changes in lending, changes in lending practices, profitability, fees, et cetera. We have been quite active in collecting that data.

**Senator Sherry**—I assume that is a request for banks' traditional activities because a number of the banks own superannuation subsidiaries.

**Senator BUSHBY**—I am really interested in terms of their activities in the banking—

**Mr Martine**—The household business?

**Senator BUSHBY**—Yes, that is right.

**Mr Martine**—We will take that on notice.

**Answer:**

- In May 2009, the Reserve Bank of Australia (RBA) released its annual bank fee survey for 2008 (*Banking Fees in Australia*). This survey provides information on the fees that commercial banks earned from their Australian banking operations in 2008.
  - The survey covers 18 institutions, which together account for around 90 per cent of the total assets of the Australian banking sector.
  - The focus of the survey is *fee income* earned by banks in the process of taking deposits, making loans and providing payment services. Other

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forms of non-interest income, such as from funds management and insurance operations (such as commission income), are excluded from the survey.

- The survey shows that total domestic fee income of participant banks rose by 8.3 per cent in 2008 to \$11.6 billion, up from \$10.7 billion in 2007.
  - Fee income from businesses in 2008 was \$6.7 billion (up 8.4 per cent from 2007).
  - Fee income from households in 2008 was \$4.8 billion (up 8.1 per cent from 2007).
- The survey notes for both banks' business and household segments, the growth in fee income appears to have been mainly driven by *greater use* of banking services, rather than higher unit charges.
- The data from this survey is published on the RBA's website. The latest data is for the 2008 calendar year.
  - Bank fee data that may show the impact of fee reductions made by banks over August/September 2009 will not be available until 2010.