

CHAPTER 1

FOREIGN ATM FEES AND CHARGES

Background to the inquiry on ATM fee structures

1.1 On 25 July 2002, the Chairman of the Parliamentary Joint Committee on Corporations and Financial Services announced that the Committee had agreed to inquire into the level of banking and financial services available to Australians living in rural, regional and remote areas of the country. The inquiry was to place particular focus on:

- (a) options for making additional banking services available to rural and regional communities, including the potential for shared banking facilities;
- (b) options for expansion of banking facilities through non-traditional channels including new technologies;
- (c) the level of service currently available to rural and regional residents; and
- (d) international experiences and policies designed to enhance and improve the quality of rural banking services.

1.2 The Committee tabled its report, *Money Matters in the Bush*, in January 2004. Overall, the Committee believed that banking and financial service providers should strive to deliver the same level and quality of service to country Australia as they provide to metropolitan areas. It accepted, however, that in some cases this objective cannot be achieved on a commercially viable basis. Nonetheless, the Committee argued that access to a basic banking service is an essential service—that all Australians should have affordable and ready access to a deposit account that receives funds and can be used to make payments. It went on to conclude:

In communities where it is commercially unsustainable for banks to provide face-to-face banking services, the banking industry has an obligation to take all reasonable measures to ensure that consumers have alternative means to access their account. In the Committee's view this obligation extends to providing the education and training necessary for consumers to effectively use the alternatives; working with and providing assistance to communities to find satisfactory solutions to their banking problems; and ensuring that bank practices such as charges and fees and interest rates on loans do not discriminate against people in regional, rural and remote Australia.¹

1 Parliamentary Joint Committee on Corporations and Financial Services, *Money Matters in the Bush*, January 2004, executive summary.

1.3 In turning specifically to the use of ATMs, the Committee expressed its concern with the fees being charged on foreign ATMs. It noted the discrepancy between fees incurred for using an ATM of one's own bank compared with another bank's ATM.² The following table clearly shows the differences in charges for using an ATM operated by one's own bank as against another bank's ATM. In 2002, the charge was over double.

Table 1.1: Deposit Account Transaction Charges of Major Banks ^{(a) 3}

	1991	1995	1998	1999	2000	2001	2002
Deposit accounts:							
Account-Servicing (per month) ^(b)	0.00	2.00	3.50	3.75	3.75	3.75	5.25
Fees per excess transaction							
- Counter withdrawals	0.50	1.00	2.00	2.15	2.15	2.75	2.50
- Cheques	0.50	0.70	0.65	0.75	0.75	0.90	1.00
- Own bank's ATM	0.30	0.40	0.55	0.60	0.60	0.65	0.60
- Other bank's ATM	0.30	0.40	1.05	1.30	1.40	1.40	1.40
- EFTPOS	0.30	0.40	0.45	0.50	0.50	0.50	0.45
- Telephone	NA	NA	0.30	0.35	0.35	0.45	0.45
- Internet	NA	NA	0.20	0.30	0.30	0.25	0.25
Number of free transactions (monthly) ^(c)	11	11	8	8	8	8	
Range of minimum balances required to waive account-servicing fees (\$)	0-500	300-500	500	500-2000	500-2000	2000	
<p>(a) Average for four largest banks. Based on public information on selected, widely used accounts. As at June of each year.</p> <p>(b) Some banks offer rebates/waivers based on either the transaction account balance or the overall 'relationship' balance.</p> <p>(c) All accounts that charge a monthly account-servicing fee allow some fee-free transactions.</p> <p>Sources: Cannex; RBA</p>							

2 New data collected by the Reserve Bank of Australia shows that 'foreign ATM transactions have increased significantly to more than 40 per cent of ATM cash withdrawals in 2002, up from around 30 per cent in 1999'. Reserve Bank of Australia, 'The Changing Australian Retail Payments Landscape; *Reserve Bank of Australia Bulletin*, July 2003, p. 7.

3 The Table is a compilation of figures taken from *Reserve Bank of Australia Bulletin*, June 1999, p. 3; July 2001, p. 3; and April 2003, p. 3. There is a discrepancy in the figure given for 2001 for fees on cheques with the 2001 figures recording a fee of \$1.00.

1.4 Considering the increasing reliance on ATMs as a primary means to access cash and obtain an account balance, the Committee believed this situation was especially relevant for people living in regional and remote Australia where there are fewer banking alternatives. The following table shows the rate at which ATMs have mushroomed throughout Australia over recent years.

Table 1.2: ATMs in Australia 1990–2002⁴

Points of Access to the Australian Payments System			
	ATMs		ATMs
June 1990	4 636	June 1997	8 670
June 1991	4 956	June 1998	9 472
June 1992	5 314	June 1999	10 089
June 1993	5 483	June 2000	11 819
June 1994	5 910	June 2001	13 289
June 1995	6 422	June 2002	16 398
June 1996	7 465	June 2003	21 603

1.5 The Committee's report, *Money Matters in the Bush*, discussed briefly the work being undertaken by the ATM Industry Steering Group (AISG) and the reforms proposed to change the current ATM fee structure. In light of the weight of evidence about the lack of competition in some country areas, the Committee was not convinced that the AISG had fully and thoroughly taken account of the absence of competition in some areas of regional, rural and remote Australia when proposing its reforms. The Committee recommended that:

... the ATM Industry Steering Group include in its considerations on the reform of ATM interchange fee arrangements the special circumstances of fees and charges associated with the use of foreign ATMs in rural, regional and remote Australia. The focus of the group would be on building into any proposed reform of the ATM fee structure safeguards that would ensure that people living in country towns and remote communities do not incur significantly higher fees or charges for using a foreign ATM and that an

4 Reserve Bank of Australia, C05 Points of Access to the Australian Payments System, http://www.rba.gov.au/Statistics/Bulletin/index.html#table_C (updated version, 9 July 2003); Australian Payments Clearing Association Limited, Number of ATMs and EFTPOS terminals, http://www.apca.com.au/Public/apca01_live.nsf/All/B59D1DB6DBB94A256DB (9 October 2003).

unreasonable or unwarranted differential in fees and charges between those in rural and remote areas and those in metropolitan areas does not develop.⁵

1.6 Having made this recommendation, the Committee nonetheless decided that further inquiry was necessary to determine whether those living in regional, rural and remote Australia would reap the benefits of any proposed reform to the ATM fee structure. The Committee held a public hearing devoted to this matter on 5 November 2003 and has produced this supplementary report as a means to highlight its concerns.

Conduct of the inquiry

1.7 The Committee did not call for additional submissions on the matter of ATM fees. It invited a number of banking and consumer organisations and groups representing the interests of people living in country Australia to attend a special public hearing to debate the work being undertaken by the AISG.

1.8 In preparing this report, the Committee drew heavily on the following sources:

- Reserve Bank of Australia and the Australian Competition and Consumer Commission, *Debit and Credit Card Schemes in Australia: A Study of Interchange Fees and Access*;
- Parliamentary Joint Statutory Committee on Corporations and Securities, *Report on Fees on Electronic and Telephone Banking*;
- ATM Industry Steering Group, *Direct Charging for 'Foreign' Automatic Teller Machine (ATM) Transactions in Australia*;
- Australian Consumers' Association, submission to the ATM Industry Steering Group on Interchange Fee Reform; and
- oral evidence taken during the Committee's public hearing, which took the form of a roundtable discussion, held on 5 November 2003.

In addition, the Committee relied on the evidence presented to it throughout its inquiry into the level of banking and financial services available to Australians living in rural, regional and remote Australia.

1.9 The Committee received a total of 133 submissions to the broader inquiry together with a number of supplementary ones. A list of submissions is contained in Appendix 1. All but three of the written submissions were made public documents.

1.10 After initial consideration of the submissions, the Committee commenced its program of public hearings in Canberra on 12 and 14 November 2002. They were followed by further hearings in Sydney, Melbourne, Adelaide and Darwin as well as in some regional areas including Tanunda and Jamestown in South Australia,

5 Parliamentary Joint Committee on Corporations and Financial Services, *Money Matters in the Bush*, December 2003, p. 181.

Yarraman, Nanango, Toowoomba and Boonah in Queensland, and Daly River and Alice Springs in the Northern Territory. The Committee also made field visits to a number of small towns including Yacka and Port Broughton in South Australia, and Blackbutt and Crows Nest in Queensland to inspect their banking facilities. As noted earlier, the Committee held a special roundtable discussion on 5 November 2003 to take evidence on the ATM fee structure.

1.11 Details of the hearings and the witnesses who appeared at them are contained in Appendix 2. The Hansard transcript of evidence taken at the hearings was made available on the internet.

Acknowledgments

1.12 The Committee thanks everyone who contributed to the inquiry.

