

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

29 May – 31 May 2012

Question: BET 77

Topic: Banking Sector – Market Concentration

Hansard Page: Tuesday 29 May 2012, page 130-131

Senator BUSHBY asked:

Senator BUSHBY: I have a couple of questions on banking to start with. I understand that APRA releases statistics on the banking sector by registered ADI. Looking at those statistics, you can make an assessment of market concentration. Can APRA confirm the market concentration of the four major banks—being the Commonwealth Bank, Westpac, National Australia Bank and ANZ—as at the end of 2007? Do you have anything on concentration?

Dr Laker: We can give you not the specific figures right at this moment—I do not have them in front of me—but we can certainly give you a broad indication.

Senator BUSHBY: I am happy for you to take it on notice. Are you able to indicate whether the concentration has increased over the last four years?

Dr Laker: I do not think there is any dispute about that. Charles might be able to confirm it. Pre-2007, I think the largest four banks probably accounted for somewhere near two-thirds, maybe a little more, of the total assets in the banking system. That figure is now around the three-quarter mark, or 75 per cent mark. But I do not want to be held to those specific numbers because it depends on which way you measure it.

Senator BUSHBY: That would be appreciated.

Senator CORMANN: It would be interesting to know what the share of the different banks was in 2007 and now in terms of household loans.

Mr Littrell: We publish monthly statistics and a summary of the balance sheets of all banks. From that it is quite easy to calculate whatever market share or concentration you would like.

Senator BUSHBY: Can you do a comparison from the end of 2006 to as recently you can?

Dr Laker: To 2010 or 2011. We can do that.

Senator BUSHBY: That would be good. In that context, part of the government's banking package, which recognised that there had been a concentration throughout the last four years, was to make mutual credit unions and building societies a fifth pillar in the banking system. Is there any evidence yet that that is working in terms of the statistics? Are there similar outcomes from the mutuals?

Dr Laker: We would have to take it on notice to look at the specific figures. What has changed since the release of the government's package is that a number of credit unions and building societies have gone back and reconsidered whether they wish to use the word 'bank' in their name. A number have chosen to do so and they have met the minimum requirements. These requirements have been in place a long time. They have decided they now want to avail themselves of that opportunity, and a number have done so.

Senator BUSHBY: How many have done that?

Dr Laker: We are in discussions with several more.

Senator BUSHBY: How many have done that, though?

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Dr Laker: I can think of about four or five at this point, or six or thereabouts. As I say, there are ongoing discussions. We would have to take the question on notice to give you the specifics. The mutuals do not have a large overall share of the banking system to start with.

Senator BUSHBY: It is fairly modest?

Dr Laker: It is.

Answer:

1) *The market concentration of the four major banks – being the Commonwealth Bank, Westpac, National Australia Bank and ANZ – as at the end of 2007.*

This information is available at <http://www.apra.gov.au/adi/Publications/Pages/monthly-banking-statistics.aspx>

2) *Is APRA able to indicate whether the market concentration of the four major banks has increased over the last four year.*

The total Australian assets of the major banks as a proportion of total Australian assets of all banks increased from 65.8 per cent in December 2006 to 79.5 per cent in April 2012¹.

In December 2008, the Bank of Western Australia Ltd and St George Bank Limited were bought by Commonwealth Bank of Australia and Westpac Banking Corporation, respectively. Both of these transactions were cleared by the Australian Competition and Consumer Commission (ACCC). The increase in major bank market share was also substantially driven by the dislocation of the residential mortgage-backed securities (RMBS) market, which the Government has supported with a significant investment since the global financial crisis.

What was the share of the different banks in 2007 and now in terms of household loans?

This information is available at <http://www.apra.gov.au/adi/Publications/Pages/monthly-banking-statistics.aspx>

3) *In that context (see above) part of the government's banking package, which recognised that there had been a concentration throughout the last four years, was to make mutual credit unions and building societies a fifth pillar in the banking system. Is there any evidence yet that that is working in terms of the statistics? Are there similar outcomes from the mutuals?*

The total Australian housing credit of credit unions, building societies and mutual banks as a proportion of all ADIs increased from 5.0 per cent in December 2010 (\$52,847m) to 5.3 per cent in June 2012². (\$61,167m).

¹ Source: <http://www.apra.gov.au/adi/Publications/Pages/monthly-banking-statistics.aspx>

² Source: APRA *Monthly Banking Statistics* and Quarterly Credit Union and Building Society Performance Statistics

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- 4) *We would have to take it on notice to look at the specific figures. What has changed since the release of the government's package is that a number of credit unions and building societies have gone back and reconsidered whether they wish to use the word 'bank' in their name. A number have chosen to do so and they have met the minimum requirements. These requirements have been in place a long time. They have decided they now want to avail themselves of that opportunity, and a number have done so.*

How many have done that?

Since 1 September 2011, five former credit unions and one building society have become mutual banks.