

Bank ABM Fees

**BDO Dunwoody Weekly CEO/Business Leader Poll
by COMPAS in the *Financial Post*
for Publication March 5, 2007**



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1.0 Introduction

Canada's CEOs and business leaders support the use of user fees as part of Canada's cash withdrawal system. Business leaders support the use of ATM fees by a factor of 5:3.

COMPAS surveyed its business panel on the ATM system in Canada and the Government's role in regulating it following a House of Commons Motion by the NDP to review the user-pay system and news about forthcoming meetings between Finance Minister Flaherty and bank presidents on the subject.

On balance, business leaders oppose Government's regulating ATM fees because of the choice available to consumers. The fact that consumers can avoid withdrawal fees by using ATMs operated by their own bank is seen as a better remedy than Government regulation. Further, business leaders see the fees levied by independent or white label ATMs as a greater concern than those levied by the Big 5 machines.

These are the principal findings from the weekly business web-survey conducted by COMPAS for the *Financial Post* under sponsorship of BDO Dunwoody LLP.

2.0 Strong Support for Use of Fees in ATM System

Canada's CEOs and business leaders support the use of fees as part of the country's cash withdrawal system. Respondents were asked a forced choice question on whether they agreed that Canada's system of cash withdrawal fees is part of a user-pay system that is transparent and fair *or* that the ATM network could easily be run for free and would help alleviate the burden on seniors and students, who are less able to travel to their own banks. As shown in table 2, 54% of respondents agree with the former.



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The following comments are offered by CEOs who favour the current system of allowing fees:

It's all about choices. If your bank provides this service for free you are choosing to pay for a service you could have gotten for no-charge. Why does the government need to legislate common sense??? I have a few issues with Canadian banks, but this is not one of them. The sad part is most people have no idea how punitive it is, and usurious, to withdraw a small amount of money from a non-bank machine.

There exists a line below which government must not descend if we wish to retain any grasp on "freedom" within our society. To be certain the line is arbitrary and difficult to define, but government modification of bank fees, and in particular "ATM" fees, is so far below this level they can't be seen with a pair of binoculars. Evidently digging into the price of gas at the pump (there's a big conspiracy) has lost its cache. So now it's off to the next political piñata. The sad part resides in the fact so many Canadians are silly enough to embrace the effort.

A sizeable minority, 34%, oppose a user pay system and agree that the ATM network could easily be run for free and would help alleviate the burden on seniors and students, who are less able to travel to their own banks. The following comments were offered in buttress of this opinion:

Banks continue to close branches in smaller markets, increase their fees and charges, reduce staff and encourage us to bank electronically. Based on the savings achieved from downsizing, ATM fees should be eliminated!

While they do provide 24 hour convenience, ATM's replace flesh and blood tellers and are a great cost savings to financial institutions. CIBC just increased increase ATM fees from foreign machines by 67% without rationalization or



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explanation to their customers. Purely, it would seem, yet another money grab.

The bank ATMs could easily run free of charge BUT the big 5 and other financial institutions would limit the number ATM outlets and white brand ATMs would disappear. The best scenario would be financial institutions being free and white brand ATMs regulated with a fee cap.

Bank charges penalize consumers with the least amount of money and discourage them from using banks and operating on a much less secure cash only basis. The banks are certainly not suffering from low profit margins, so could lower service charges significantly.

Table 2: (Q2) Which of the following opinions is closest to your own? [ROTATE]

	%
Canada's system of cash withdrawal fees is part of a user-pay system that is transparent and fair	54
The ATM network could easily be run for free and would help alleviate the burden on seniors and students, who are less able to travel to their own banks	34
Don't know or no opinion	12



3.0 Consumer Choice—Better Protection than Government Regulation

Business leaders oppose regulating ATM fees because of the choice available to consumers. This includes ATMs operated by their own banks, which are free, ATMs operated by other big 5 banks, which have fees, and independent ATMs, which often have much higher fees than big 5 machines.

Respondents were asked to score different opinions on the ATM issue on a 7 point agreement scale. As shown in table 3, reasonably strong support (mean of 4.7) is given to the notion that government should stay out of regulating fees since consumers can mostly avoid fees by withdrawing money from ABMs operated by their own banks. Fifty-eight percent of respondents assigned a score of 5 or better. As one CEO offered, “there is a price for convenience: nobody obliges anyone to use them.”

Business leaders see the high fees levied by independent operators as a greater concern than the fees levied by the big 5 banks. The statement, “the problem is not with Big 5 ATMs, but rather white-label, independent, ATMs that are unregulated and account for two-thirds of all bank machines in Canada, “ earns a mean score of 4.6, with 67% assigning a score of 5 or better.

Insufficient competition in the banking industry is a less compelling argument against regulation. The statement, “it’s important for Government to regulate ATM fees because there’s not enough competition in the banking industry to protect consumers,” earned a mean score of 3.9, with roughly the same number of respondents assigning scores of 5 or higher and 3 or lower.

With respect to competition, one respondent offered the following insight:

The major problem in Canada is not excessive ATM's fees but lack of competition from foreign big players. Instead of cheap reaction from government to interfere such a minor issue, it needs to look at a more broaden picture and open the Canadian market fairly for global competitors and then soon all these nonsense fees will be disappeared.



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Table 3: (Q1) As you may know, there's been talk in the media about fees levied on consumers withdrawing cash from ATMs operated by banks other than their own. Using a 7 point scale where 7 means strongly agree and 1, strongly disagree, to what extent do you agree with each of the following...[RANDOMIZE]

	Mean	7	6	5	4	3	2	1	DNK
Since consumers can mostly avoid fees by withdrawing money from ABMs operated by their own banks, the Government should stay out	4.7	27	20	11	8	8	14	9	3
The problem is not with Big 5 ATMs, but rather white-label, independent, ATMs that are unregulated and account for two-thirds of all bank machines in Canada	4.6	19	15	23	9	5	9	12	9
It's important for Government to regulate ATM fees because there's not enough competition in the banking industry to protect consumers	3.9	16	17	8	15	10	12	21	1



4.0 Pre-Election Strategies Motivating Ottawa’s Interest in ATM Fees

Business leaders see Ottawa’s expressed interest in ATM fees as politically motivated. More than half of respondents, 56%, agree that The House of Commons Motion to probe ATMs was made by the NDP, and the Conservative Finance Minister is trumpeting the issue as a pre-election strategy (see table 4). One respondent encapsulated this sentiment with the following, “Canadians just love to hate their banks. This is just a cynical and transparent attempt by NDP politicians to exploit this tendency, pre-election, to their advantage. There is nothing unfair or uncompetitive about the Canadian banking system in general or ATM fees in particular.”

Table 4: (Q1) As you may know, there’s been talk in the media about fees levied on consumers withdrawing cash from ATMs operated by banks other than their own. Using a 7 point scale where 7 means strongly agree and 1, strongly disagree, to what extent do you agree with each of the following...[RANDOMIZE]

	Mean	7	6	5	4	3	2	1	DNK
The House of Commons Motion to probe ATMs was made by the NDP and the Conservative Finance Minister is trumpeting the issue as a pre-election strategy	4.8	17	16	23	11	7	4	9	15

5.0 Methodology

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted February 27 – March 2, 2007. Respondents



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constitute an essentially hand-picked panel with a higher numerical representation of small and medium-sized firms.

Because of the small population of CEOs and business leaders from which the sample was drawn, the study can be considered more accurate than comparably sized general public studies. In studies of the general public, surveys 129 are deemed accurate to within approximate 8.7 percentage points 19 times out of 20. The principal and co-investigator on this study are Conrad Winn, Ph.D. and Tamara Gottlieb.

