



# Bank Fees a Diversion from Real Consumer Interests

**Mark Milke**

As a publicity stunt, the recent New Democratic Party proposal to limit withdrawal fees at some automated teller machines (ATMs) at fifty cents worked well. But getting publicity for an idea, including a poor one, is one thing; getting attention to useful

reforms that will greatly benefit consumers is quite another. The ATM idea is a good example of the former and not the latter.

For one thing, banks are federally regulated institutions. So any attempt to limit ATM charges would not apply to the many non-bank ATM machines at convenience stores, restaurants, bars and elsewhere. That's where one usually pays higher fees for the privilege of not planning ahead and withdrawing money from one's own bank or credit union.

Besides, banks are already subject to competition and thus they, along with other private sector institutions, can charge what they want—or not. I choose to bank where I pay no fees. I also avoid ATMs not owned by that financial institution. More competition in Canada's banking sector is welcome, but that's a different debate than micromanaging what banks, convenience stores, or the local pubs charge at ATMs.

The NDP proposal, and the Conservative government's own hint in its last Throne Speech to "expand no-cost basic banking services," are both political examples of the tendency to be "penny-wise and pound-foolish." The NDP-Tory fixation is akin to the guy who will drive five miles to save fifty cents on milk but spend a buck in gasoline and automotive wear-and-tear to do it.

It is easy to bash banks (the NDP obsession), or telecommunications and internet service providers (the Tory preoccupation) but some competition already exists in both those sectors, though more is preferable to less.

In contrast, both parties miss obvious policy areas that could save consumers a small fortune—but where prices are currently jacked up in favour of existing producers. That includes both

## Poultry and dairy boards restrict foreign competition, which leads to price gouging



the private sector and the government sector where little competition exists or is in fact prohibited by governments.

If the NDP and Conservatives desire to help consumers in a substantive way, as opposed to this penny ante stuff, here are some useful and consequential ideas that would indeed save consumers money.

First, support the abolition of dairy and poultry marketing boards, legally allowed by the federal government to restrict competition and supply (no foreign cheese and milk or chickens except at very high duties). The power to restrict supply exists

only due to federal legislation passed in 1966 to allow for such cartel-like powers. That creates conditions whereby producers can and do legally gouge consumers, this in an effort to preserve “price stability”.

Such “price stability”—which in non-Orwellian language means price-fixing—means the poorest of Canadians get hurt the most given they spend the greatest proportion of their income on food. Former Liberal Member of Parliament Martha Hall Findlay noted a few years back that rigged price-fixing system costs families an extra \$300 per year.

Second, the NDP and Conservatives could also, via their provincial wings, support the privatization of automobile insurance in provinces where the governments have a monopoly on basic automobile policies. Policyholders are best served in a system with competition and choice. Insurance premiums are generally cheaper in private sector provinces when apple-to-apple comparisons are made. The only exception has been in high-cost Ontario, high-cost because of a combination of no-fault coverage, fraud, and high claim costs that ratchet up Ontario premiums.

(For the record, I am aware of older studies from the so-called Consumers’ Association of Canada that once claimed insurance costs were higher in private sector provinces. But as I have detailed in several studies and multiple columns, all available online, the Association’s comparisons were based on misleading internet comparisons, not real paid premiums. Even a past

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Ontario director with the Consumers' Association refused to use her own group's unsupportable numbers.)

Third, if the two parties care about consumers, they might (through their provincial wings), support abolishing the antiquated Prohibition-era government liquor stores that still exist in every province except Alberta. Such government-run stores, and the government-owned and run wholesale distribution system behind them, prevent competition and lower prices. Government liquor stores are not in the consumers' best interest.

When the NDP and Conservatives finish with the above, consumers will be much better off, and the parties will have proven to be pound-wise on matters where government policy currently and inevitably leads to higher prices for consumers. ■



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