

Introduction

Background

- 1.1 The House of Representatives Standing Committee on Economics (the committee) is responsible for scrutinising the Reserve Bank of Australia (RBA) and for ensuring its transparency and accountability to the Parliament, the community, and the financial sector.
- 1.2 The appearance by the Governor of the RBA at biannual public hearings of the committee is an important element of the RBA's accountability framework. The details of this framework are set out in the *Statement on the Conduct of Monetary Policy*, agreed between the Treasurer, the Hon Wayne Swan, MP, and the RBA Governor, Mr Glenn Stevens. The statement formalises the biannual appearance before the committee. The statement, which is reproduced at Appendix B, states:

The Governor has also indicated that he plans to continue the practice of making himself available to report on the conduct of monetary policy twice a year to the House of Representatives Standing Committee on Economics.

The Treasurer expresses support for the continuation of these arrangements, through which the transparency and accountability of the Reserve Bank's conduct of monetary policy are in line with international best practice. These arrangements enhance the

public's confidence in the independence and integrity of the monetary policy process.¹

- 1.3 A second procedural mechanism for achieving this accountability is set out in the Standing Orders of the House of Representatives, which provide for the referral of annual reports within a committee's area of portfolio responsibility for any inquiry the committee may wish to make. Accordingly, the committee may inquire into aspects of the annual report of the RBA.

Scope and conduct of the review

- 1.4 The third public hearing of the committee with the RBA during the 43rd Parliament was held in Melbourne on 26 August 2011.
- 1.5 The audio proceedings of the hearing were webcast over the internet, through the Parliament's website, allowing interested parties to listen to the proceedings as they occurred. The transcript of the hearing is available on the committee's website.²
- 1.6 Before the hearing, the committee received a private briefing from Mr Craig James, Chief Economist, CommSec. This briefing provided valuable background information for the committee and perspectives on issues for discussion at the public hearing. The committee appreciates Mr James's cooperation and assistance.
- 1.7 The committee also appreciates the provision of additional briefing material from Mr Scott Kompo-Harms of the Parliamentary Library Research Service.
- 1.8 The hearing was well attended by members of the public and staff and students from Eltham College and Trinity Grammar School.
- 1.9 The public hearings with the RBA continue to bring issues of monetary policy into the public arena, and have assisted in providing a public face to parliamentary committees and the RBA. The committee welcomes the Governor's frank and open comments at the hearings. In addition, the hearings are an important means whereby financial markets can be better informed on the current thinking of the RBA.

1 Reserve Bank of Australia, *Statement on the Conduct of Monetary Policy*, 30 September 2010.

2 See: <www.aph.gov.au/economics>

- 1.10 The report focuses on matters raised at the public hearing, and also draws on issues raised in the RBA's *Statement on Monetary Policy*. The *Statement on Monetary Policy* may be viewed through the RBA's website.³

Next public hearing with the Reserve Bank of Australia

- 1.11 The committee will conduct the next public hearing with the RBA on 24 February 2012 in Sydney. More details will be circulated in the weeks leading up to the hearing.

3 See: <<http://www.rba.gov.au>>