

Introduction

Background

- 1.1 The House of Representatives Standing Committee on Economics, Finance and Public Administration is responsible for monitoring the Reserve Bank of Australia (RBA) and for ensuring its transparency and accountability to the Parliament, the financial sector and the community as a whole.
- 1.2 The Reserve Bank Governor's appearances before the Committee at biannual public hearings are an important element of the Bank's accountability framework. These biannual appearances are provided for by two means:
 - the August 1996 *Statement on the Conduct of Monetary Policy*, agreed between the Treasurer, the Hon Peter Costello MP, and the Governor, Mr Ian Macfarlane.¹ The statement formalised the Bank's accountability framework and the biannual appearance before the Committee; and
 - 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. The House Economics Committee may inquire into

1 A second *Statement on the Conduct of Monetary Policy* was released in July 2003, building on the 1996 Statement. Both documents can be viewed on the RBA's website at www.rba.gov.au/MonetaryPolicy.

aspects of the annual reports of the RBA and the Bank's Payment Systems Board.²

- 1.3 The biannual hearings typically coincide with the release of one of the RBA's quarterly statements on monetary policy. At the December 2002 hearing in Warrnambool and the June 2003 hearing in Melbourne, the Committee scrutinised the RBA's *Statement on Monetary Policy* for November 2002 and June 2003 respectively.
- 1.4 As with previous reports, this report focuses on matters raised at the public hearings. The report does not repeat in detail the commentary in the RBA's *Annual Report* and statements on monetary policy. These documents may be viewed through the Bank's website.³

Scope and conduct of the review

- 1.5 The Committee held two public hearings following the tabling of the RBA's *Annual Report 2002*. The first was held in Warrnambool in Victoria on 6 December 2002. The second hearing was held at the University of Melbourne on 6 June 2003.
- 1.6 Proceedings for both hearings were streamed live over the internet through the Parliament's website, allowing anyone interested in the Governor's evidence to hear the proceedings as they occurred. The transcripts of the hearings are available on the Committee's website.⁴
- 1.7 Before each of the hearings the Committee received a private briefing from a prominent economist – on 5 December 2002 from Mr Alan Oster, Chief Economist of the National Australia Bank, and on 29 May 2003 from Dr John Edwards, Chief Economist of HSBC Bank Australia. The briefings were of great assistance to the Committee in highlighting issues for discussion at the public hearings.
- 1.8 Members of the public were invited to submit questions to be put to the Governor at the Warrnambool hearing. In addition, several students from secondary schools and universities accepted the Committee's invitation to attend the two hearings and, through the Committee, to put questions to the Governor.

2 The mandate of the Payments System Board is to promote safety, efficiency and competition in the payments system in Australia, and to promote the safety of systems that clear and settle securities transactions in Australia's wholesale financial markets. See further discussion in Chapter 3 of the Board's role in relation to credit card reform and bank fees.

3 www.rba.gov.au/PublicationsAndResearch/.

4 www.aph.gov.au/house/committee/efpa/rba2001-02/ph.htm (as at July 2003).

- 1.9 These opportunities to enhance community understanding of the work of both the Parliament and the RBA are one of the most important aspects of the biannual hearings. The Committee will continue to provide opportunities for public involvement at future hearings.
- 1.10 The two hearings conducted outside Melbourne, Sydney or Canberra – the Warrnambool hearing and the December 2000 hearing in Wagga Wagga in NSW – have played a valuable role in involving regional Australia in the parliamentary committee system, and have given the RBA an opportunity to address perceptions that the regions are not taken into account in decisions on monetary policy. The Committee welcomes the Reserve Bank Governor’s strong endorsement of these regional hearings.
- 1.11 The Committee intends to conduct every second public hearing with the Governor outside Sydney or Melbourne, as circumstances permit. The next hearing (the first for the RBA’s *Annual Report 2003*) will be held in Brisbane on Monday 8 December 2003.