

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 or the Bank) and for ensuring its transparency and accountability to the Parliament and the community as a whole (including the financial sector).
- 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. The details of these are set out in 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, whereby the Bank's accountability framework and the biannual appearance before the committee have been formalised.¹ 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 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 Payments System Board.

- 1.3 The biannual hearings coincide with the release of one of the RBA's quarterly statements on monetary policy. At the February 2005 hearing in Sydney, the committee scrutinised the RBA's *Statement on Monetary Policy* for February 2005.

Scope and conduct of the review

- 1.4 In the 41st parliament the first public hearing of the House Economics committee with the RBA was held in Sydney on 18 February 2005.
- 1.5 As the proceedings for the Sydney hearing occurred they were streamed over the internet through the Parliament's website, allowing interested parties to hear the proceedings as they occurred. The Governor's opening statement was taken as a submission and 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 Chris Richardson, Director, Access Economics and Mr Saul Eslake, Chief Economist, ANZ Bank. These briefings provided valuable background information for the committee and perspectives on issues for discussion at the public hearing.
- 1.7 The committee was delighted that the Sydney hearing was well attended by members of the public and 150 students from secondary schools.
- 1.8 The committee's public hearings with the RBA continue to bring issues of monetary policy into the public arena and also 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 hearing. In addition, the hearing is also an important means whereby financial markets can be better informed on the current thinking of the RBA.
- 1.9 As with the previous committee's reports, this report of this committee's work focuses on matters raised at the public hearing. The report does not repeat the detail in the *Statement on Monetary Policy*, the RBA's annual report nor proceedings of the public hearing. These

2 See: http://www.aph.gov.au/house/committee/efpa/RBA2003_04/index.htm

documents may be viewed through the RBA's website³ or on the committee's website⁴

3 See: www.rba.gov.au

4 See: http://www.aph.gov.au/house/committee/efpa/RBA2003_04/index.htm

