

## Introduction

### Background

- 1.1 The House of Representatives Standing Committee on Economics, Finance and Public Administration (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 RBA Governor's appearances before the committee at biannual public hearings are an important element of the Bank's accountability framework. The details of this framework are set out in the *Third Statement on the Conduct of Monetary Policy*, agreed between the Treasurer, the Hon Peter Costello, MP, and the RBA Governor, Mr Glenn Stevens. The statement provides for the RBA's accountability framework and formalises the biannual appearance before the committee. The statement, which is reproduced at Appendix C, states:

The Governor has also indicated that he plans to continue to be available to report on the conduct of monetary policy twice a year to the House of Representatives Standing Committee on Economics, Finance and Public Administration. The Treasurer expresses continuing support for these arrangements, which ensure the continued transparency and accountability of the Reserve Bank's conduct of monetary policy—and therefore the credibility of policy itself.<sup>1</sup>

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1 RBA, *Third Statement on the Conduct of Monetary Policy*, September 2006.

- 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 reports of the RBA and the Bank's Payments System Board.
- 1.4 The biannual hearings coincide with the release of one of the RBA's quarterly *Statements on Monetary Policy*. At the February 2007 hearing in Perth, the committee scrutinised the RBA's *Statement on Monetary Policy* released on 12 February 2007.

## Scope and conduct of the review

- 1.5 The fifth public hearing of the committee with the RBA during the 41<sup>st</sup> parliament was held in Perth on 21 February 2007.
- 1.6 The proceedings of the Perth hearing were audio 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.<sup>2</sup>
- 1.7 Before the hearing, the committee received a private briefing from Mr Richard Gibbs, Global Head of Economics, Macquarie Bank. This briefing provided valuable background information for the committee and perspectives on issues for discussion at the public hearing. The committee appreciates Mr Gibbs' cooperation and assistance.
- 1.8 The committee also appreciates the provision of additional briefing material from Mr Richard Webb of the Parliamentary Library Research Service.
- 1.9 The Perth hearing was well attended by members of the public and staff and students from Carmel School and St Mary's Anglican Girls' School.
- 1.10 The 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 hearings. In addition, the hearings are an important means whereby financial markets can be better informed on the current thinking of the RBA.
- 1.11 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*
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2 See: <<http://www.aph.gov.au/house/committee/efpa/index.htm>>

*on Monetary Policy* may be viewed through the RBA's website<sup>3</sup>, and the transcript of the hearing is available from the committee's website<sup>4</sup>.

## **Next public hearing with the RBA**

- 1.12 The committee will conduct the next public hearing with the RBA on Friday, 17 August 2007 at the Gold Coast Convention and Exhibition Centre, Broadbeach, QLD. More details will be circulated in the weeks leading up to the hearing.

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

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