
The Parliament of the Commonwealth of Australia

Review of the Reserve Bank of Australia *Annual Report* 2003

House of Representatives
Standing Committee on Economics, Finance and Public Administration

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Foreword

The Committee's June 2004 public hearing with the Governor of the Reserve Bank was significant for the reason that it is likely to be the final hearing before the pending federal election. The RBA reported on an economy in good shape, showing steady growth despite giving mixed signals regarding housing prices and the fluctuation in the value of the Australian dollar. It is also encouraging to hear the Bank's optimism about the international outlook.

The June hearing coincided with a six-month period of stability in interest rates, which have remained unchanged since December 2003. Issues examined at the hearing included the impact of the world economy on Australia, particularly the effect of the rapid growth in the Chinese economy, as well as the continued increase in household debt, the growth in non-bank lending, bank fees and the general reform of the payments system.

The evidence given at the hearing enabled the Committee to develop three substantial recommendations for the RBA. The first of these deals with the collection of accurate and current housing data, a vital tool in setting forward-looking monetary policy. Recommendation 2 addresses concerns that regulation of non-bank lenders is inconsistent with the current regime applied to authorised deposit-taking institutions and calls for action to bring non-banking finance providers in line with banks. The final recommendation looks at RBA governance and identifies a need for further clarification of the conditions imposed upon RBA board members. As the Governor noted during the June 4 hearing, the financial sector is always evolving and it is our task to ensure that policy remains both current and effective.

The hearings provide the media, financial sector, and the community with a valuable opportunity to monitor the way in which the Bank conducts monetary policy in Australia. At the June hearing, we welcomed a large number of school students and their teachers from Sydney and surrounds as well as members of the general public. Particularly for students, the hearings give the opportunity to hear

first hand the factors taken into account by the Bank in its decisions on monetary policy.

The Sydney hearing, like previous ones, was a very important part of the ongoing accountability of the Reserve Bank of Australia to the Federal Parliament and the wider community. I would like to thank the Governor of the Bank, Mr Ian Macfarlane, for his frank comments on monetary policy and other issues at the hearing.

I would like to acknowledge the assistance the Committee receives from David Richardson from the Parliamentary Library and Andrew Dawson from the House of Representatives Liaison and Projects Office. I would also like to thank Mr Rory Robertson from Macquarie Bank for the valuable briefing he gave the Committee before the hearing.

As this is likely to be the last report before a Federal election, I would like to thank the RBA, on behalf of the Committee, for its ongoing support for the biannual hearings and acknowledge the continued efforts by the RBA to ensure the success and usefulness of these hearings. The Committee looks forward to continuing this productive relationship in the next Parliament. Finally, I would like to acknowledge the work of Deputy Chair Anna Burke, our fellow Committee members and the secretariat for their participation in the process.

David Hawker MP
Chairman



Membership of the Committee

Chair Mr David Hawker MP

Deputy Chair Ms Anna Burke MP

Members Mr Anthony Albanese MP

Mr David Cox MP

Ms Teresa Gambaro MP

Mr Alan Griffin MP

Mr Peter King MP

Mr Gary Nairn MP

The Hon Alex Somlyay MP

Dr Andrew Southcott MP

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Terms of reference

The House of Representatives Standing Committee on Economics, Finance and Public Administration is empowered to inquire into, and report on, any matter referred to it by either the House or a Minister, including any pre-legislation proposal, bill, motion, petition, vote on expenditure, other financial matter, report or paper.

Annual reports of government departments and authorities tabled in the House stand referred to the relevant committee for any inquiry the committee may wish to make. Reports stand referred to committees in accordance with a schedule tabled by the Speaker to record the areas of responsibility of each committee.

The Reserve Bank of Australia's *Annual Report 2003* was tabled in the House of Representatives on 11 September 2003 and the Payments System Board's *Annual Report 2003* was tabled in the House of Representatives on 7 October 2003.



List of abbreviations

ACCC	Australian Competition and Consumer Commission
APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities and Investments Commission
ATM	Automatic Teller Machine
CAD	Current Account Deficit
GDP	Gross Domestic Product
RBA	Reserve Bank of Australia
US	United States

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