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- 7 MAY 2002

Mr D P M Hawker MP
Chairman
Standing Committee on Economics, Finance and Public Administration
House of Representatives
Parliament House
CANBERRA ACT 2600

Dear Mr Hawker

David

I refer to the report of the House of Representatives Standing Committee on Economics, Finance and Public Administration on the *Centenary of Federation Hearing: Review of Reserve Bank of Australia Annual Report 1999-2000*.

I attach the Government response to the Committee's report, which is expected to be tabled shortly in Parliament.

Yours sincerely

P Costello

PETER COSTELLO

**GOVERNMENT RESPONSE TO THE REPORT OF THE
HOUSE OF REPRESENTATIVES STANDING
COMMITTEE ON ECONOMICS, FINANCE AND PUBLIC
ADMINISTRATION ON 25 JUNE 2001**

**THE CENTENARY OF FEDERATION HEARING:
REVIEW OF RESERVE BANK OF AUSTRALIA ANNUAL
REPORT 1999-2000**

In 'The Centenary of Federation Hearing: Review of Reserve Bank of Australia Annual Report 1999-2000', tabled on 25 June 2001, the House of Representatives Standing Committee on Economics, Finance and Public Administration made the following two recommendations.

Recommendation 1

The committee recommends that in the future conduct of monetary policy when there is a major structural change in economic policy, the Bank should give appropriate weight to examining business confidence data.

Recommendation 2

The committee recommends that the Reserve Bank gives the same priority to investigate ATMs and EFTPOS fees, including loyalty programs, as it gives to credit card fees.

The Government response to the Committee's recommendations is:

Recommendation 1

Consistent with the *1996 Statement on the Conduct of Monetary Policy* the Government recognises the independence of the Reserve Bank and its responsibility for monetary policy matters.

The objectives of monetary policy in Australia are formally established in the Reserve Bank Act. The Act sets out three main objectives:

- stability of the currency;
- maintenance of full employment; and
- economic welfare and prosperity of the people of Australia.

In pursuing these objectives, the RBA Board examines a wide range of economic and financial data and considers their significance to the conduct of monetary policy. The Government understands that the RBA already includes business confidence surveys in the range of indicators it examines.

Recommendation 2

The Government is determined to promote competition in banking services as a means of putting pressure on bank fees and charges whilst maximising the quality and availability of banking services to the Australian community.

The Government understands that the Reserve Bank is currently working with interested parties to explore the issues and identify possible options relating to ATM and EFTPOS fees.

The Government encourages the Reserve Bank to progress this work with some urgency given the importance of the issues and to undertake the necessary consultations on any proposals.