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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.

- 1.3 The biannual hearings typically coincide with the release of one of the RBA's quarterly statements on monetary policy. At the December 2003 hearing in Brisbane, the Committee scrutinised the RBA's *Statement on Monetary Policy* for November 2003.
- 1.4 As with previous reports, this report focuses on matters raised at the public hearing. 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.²

Scope and conduct of the review

- 1.5 Following the tabling of the RBA's *Annual Report 2003*, a public hearing was held at Queensland State Parliament House in Brisbane on 8 December 2003.
- 1.6 Proceedings for the hearing were streamed over the internet through the Parliament's website. This is now standard practice for the Committee's RBA hearings.
- 1.7 The Governor's opening statement and the transcript of the hearing are available on the Committee's website.³
- 1.8 Before the hearing the Committee received a private briefing from Dr Barry Hughes, Chief Economist at Credit Suisse Asset Management. The briefing was of great assistance to the Committee in highlighting issues for discussion at the public hearings.
- 1.9 The hearing in Brisbane is the third to be conducted outside Melbourne, Sydney or Canberra – the first was the December 2000 hearing in Wagga Wagga in NSW and the second was the December 2002 hearing in Warrnambool in VIC. These hearings have played a valuable role in involving regional Australia in the parliamentary committee system.
- 1.10 The Committee was delighted that many members of the public from the Brisbane area attended the hearing. Also, several students from

2 www.rba.gov.au/PublicationsAndResearch/.

3 http://www.apf.gov.au/house/committee/efpa/RBA2002_03/index.htm.

secondary schools and universities accepted the Committee's invitation to attend the hearing.

- 1.11 The Committee's public hearings with the RBA have helped to bring issues of monetary policy into the public arena and have assisted to provide a public face to parliamentary committees and the RBA. The Committee welcomes the Governor's frank and honest comments at the hearings. The hearings are also an important means by which markets can be better informed of the current thinking of the RBA on a range of current economic and banking issues.