



Review released in advance of next House of Representatives Economics Committee hearing with Reserve Bank Governor

With just a week to go until the Reserve Bank Governor faces questioning by the House of Representatives Economics Committee (Brisbane, Monday 8 December), the Committee has released a review outlining some of its ongoing concerns with matters influenced by the Bank.

In its *Review of the Reserve Bank Annual Report 2002*, released today, the Economics Committee looks at the two previous hearings it held with the Governor (in Warrnambool December 2002 and in Melbourne in June 2003). The review flags the following – as well as the recent rise in interest rates - as ongoing issues for discussion with the Governor:

- the **sustained growth of household credit**, being driven by speculative investment in the housing sector. The Governor warned in Melbourne that the rapid growth of household credit is presently the main domestic risk to the Australian economy, and earlier expressed the fear that many highly-leveraged investors in housing "are just assuming that things will work out";
- the **rapid appreciation of the Australian dollar** against the US dollar - an increase of some 40 percent from late 2001 to the time of the June 2003 hearing in Melbourne, with concern being expressed by exporters about the impact on their competitiveness; and
- progress on reforms to various aspects of Australia's payments system, in particular "**interchange fees for ATMs, EFTPOS and credit card services** (fees paid between the financial institutions of persons receiving and making payments, and then passed on to consumers). **In particular, the report states that the Reserve should undertake an immediate review of the interchange fee on B-Pay payments from savings accounts.**

The six-monthly public hearings with Reserve Bank Governor Ian Macfarlane and other representatives of the Reserve Bank are the only public forums at which the Governor of the Reserve is obliged to publicly answer questions about Bank policy, including on interest rates.

Tabling the report, the House Economics Committee Chair, Mr David Hawker, said: "in light of the recent rise in official interest rates – the first increase in 17 months – the next public hearing with the Bank, to be held in Brisbane on Monday 8 December, will provide an important opportunity for the Governor to elaborate on the reasons for the increase, and on the future challenges for monetary policy and related issues".

The report is available on the Committee website at www.aph.gov.au/house/committee/efpa/index.htm

REMINDER: NEXT PUBLIC HEARING

WHO:	Reserve Bank questioned by House of Representatives Economics Committee
WHAT:	Six-monthly Public Hearing
WHERE:	Queensland State Parliament (Function Room A), Alice Street, BRISBANE
WHEN:	Monday 8 December 2003, 10.00am - 1.00pm (Brisbane time)

Please note: The hearing will be broadcast back to Parliament House, Canberra, and on the web as an **AUDIO ONLY** broadcast (ie no vision will be fed back to Canberra or webcast). Media requiring special arrangements, such as an outside line, should contact Geoff Dodd via the number below.

For media interview regarding the Committee's report and the hearing:

House Economics Committee Chair, Mr David Hawker, tel: (02) 6277 4837

For media queries about arrangements for the Brisbane hearing:

Geoff Dodd, (02) 6277 2063 or 0401 143 724

Further information about the Economics Committee:

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