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In its *Review of the Reserve Bank of Australia Annual Report 2002 - 2003* released today, the House of Representatives Economics Committee strongly recommends the regulation of non-bank lenders such as mortgage brokers and improving the accuracy of influential data on house prices.

Tabling the interim report, the House Economics Committee Chair, Mr David Hawker, said the evidence given at the June public hearing with the Reserve Bank Governor Ian Macfarlane and other RBA representatives has 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," Mr Hawker said.

"Recommendation two 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 six-monthly public hearings with the Reserve Bank Governor are the only public forums at which the Governor is obliged to publicly answer questions about Bank policy, including on interest rates. Mr Hawker said last June's hearing in Sydney was also significant for the reason that it was likely to be the final hearing before any 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," Mr Hawker said.

"The June hearing has 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."

Report Recommendations

1. That the Australian Bureau of Statistics, working with the Reserve Bank of Australia, give priority to developing an efficient, accurate and timely method for the collection of data relating to levels and movements in prices of residential real estate in Australia;
2. That the Government meet with the States with a view to assessing and implementing the most appropriate regulatory regime for non-bank lenders, consistent with current regulation of authorised deposit-taking institutions; and
3. That the Government consider amendments to the Banking Act to extend the restrictions applying to the activities of board members to include all suppliers of finance, irrespective of whether the supplier is considered to be an authorised deposit taking institution.

The full report is available on the Committee website at:

www.aph.gov.au/house/committee/efpa/rba2002_03/report.htm#fullreport

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

House Economics Committee Chair, Mr David Hawker, tel: 02 - 6277 4837 or 03 - 5572 1100

Further information about the Economics Committee:

Russell Chafer (Secretary, House Economics Committee), tel: 02 - 6277 4587

For further media queries:

Andrew Dawson (media adviser, House of Representatives), tel: 02 - 6277 2063 or 0401 143 724

Issued by:

Andrew Dawson, Liaison & Projects Office, House of Representatives

Tel: (02) 6277 2063 w

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