

Reserve Bank

to account for its policies



On 29 November 1999, the House Economics Committee will again hold the Reserve Bank of Australia to account for its handling of monetary policy, at a public hearing in Sydney. The Committee Chairman, Mr David Hawker MP, said that at the hearing the Committee will question the Governor about the current economic situation in Australia and the operations of the Bank.

The Governor's biannual appearance before the Committee provides an important avenue for the Bank to demonstrate its accountability to the community for the way in which it conducts its operations, especially in relation to monetary policy. This is the only occasion on which the Governor can be publicly questioned on these issues. The process is strongly supported by both the Parliament and the Bank.

The hearings are held every six months and date back to an agreement reached between the Government and the RBA in August 1996. At that time, the Government and the Bank agreed on a Statement on the Conduct of Monetary Policy, which set out their understanding on key aspects of Australia's monetary policy framework.

According to Mr Hawker, the main issues which are likely to be canvassed at the forthcoming hearing include:

- the RBA's recent decision to increase interest rates;
- the related question of increased inflation;
- outcome of the RBA's research into business bank fees;
- whether all bank customers are subsidising credit cards whether they benefit or not;
- interchange of fees between providers of ATMs, EFTPOS and credit cards;
- preparations by financial institutions for the year 2000;
- factors the Bank sees influencing Australia's future growth;
- the effect of recent current account deficits;

- prospects affecting the level of household savings;
- unemployment and wages; and
- current expectations on the impact of tax reform.

Mr Hawker said that the papers forming the basis for discussion at this hearing would be the RBA Annual Report for 1998/99, the Bank's November semi-annual Statement on Monetary Policy and the first annual report of the RBA's Payments System Board.

The Committee will table its report on this inquiry in the early part of next year. It will also take up the question of the prudential regulation of banks in a similar inquiry with the Australian Prudential Regulation Authority in the first half of next year.

Members of the public are welcome to attend the hearing, which will be held in the Jubilee Room at Parliament House, Sydney from 10 am to 2 pm on 29 November. Alternatively, the transcript from the hearing will be available a few days after the hearing on the Committee's web site at: www.aph.gov.au/house/committee/efpa.

Mr Hawker said that given the strength of the Australian economy, the recent emergence of inflation as a possible problem and the Bank's consequent decision to increase interest rates, the hearing should be an interesting one.

Further information can be obtained from the Committee Secretariat by Telephone: (02) 6277 4587 or Email: EFPA.Reps@aph.gov.au.