



PUBLIC HEARING: FRIDAY 18 FEBRUARY 2005, SYDNEY

Where are interest rates heading?

The House of Representatives Economics Committee will be questioning the Reserve Bank at a public hearing in Sydney this Friday, February 18, about the latest inflation figures, house prices, low unemployment rates, wages growth and how all these feed into the RBA's setting of interest rates.

It will be the first time Reserve Bank Governor Ian Macfarlane and other bank officials have appeared before the new House Economics Committee chaired by Bruce Baird.

"Clearly the committee will be questioning the Governor about the looming interest rate rises being foreshadowed in the media," Mr Baird said.

"The committee is keen to test the veracity of these claims, because some commentators don't see a substantial need to raise interest rates because they believe there has already been a downturn in some of the areas creating inflationary pressure.

"We will also be asking about whether Australia is over-heating in terms of the employment sector and what the implications are. Is the Reserve expecting long-term unemployment to fall further?"

Mr Baird intends canvassing other issues such as the Reserve Bank's recent concern about other underlying inflationary pressures and why they were not considered such a problem last year. "I'm also interested in what incentives the Reserve believes are needed to encourage greater private investment and whether there should be a diversion away from investing in private housing," he said.

An area of concern that receives little attention is the issue of the cost of transactions we all make every day whether it is by cheques, credits or debit card, EFTPOS, BPay or cash. The fees and charges amount to billions of dollars each year but most individuals are unaware of the actual costs of each transaction and this is something that the committee will also want to pursue with the RBA on Friday.

Mr Baird said the House Economics Committee played an important watchdog role overseeing the decisions of such an influential independent statutory body as the Reserve Bank.

"These hearings are the closest interface between parliament and an organisation that is such an absolutely crucial cog in the running of the Australian economy," he said. "The general view is that the Reserve Bank has done an excellent job so far but this parliamentary process makes them more accountable – by reviewing their decisions and questioning their outlook."

The House Economics Committee holds two public hearings each year with the Reserve Bank. They are a key public forum at which the Governor is obliged to publicly answer questions about bank policy, including the outlook for interest rates.

This hearing will be held in the Sydney Room of the **Menzies Hotel**, 14 Carrington Street, Sydney CBD. It will be broadcast (**AUDIO ONLY**) over the internet (www.aph.gov.au/live) and also back to Parliament House, Canberra, on the internal broadcast system (**AUDIO ONLY**) - on HMS Channel 5.

WHO:	Reserve Bank questioned by House Economics Committee
WHAT:	Public Hearing
WHERE:	Menzies Hotel, Sydney Room, 14 Carrington Street, Sydney CBD
WHEN:	Friday 18 February 2005, 10.00am - 1.00pm

For interview: Please contact committee chairman, Bruce Baird, on (02) 9525 8200 or 0418 611 668

For background information: Please contact Committee secretariat on (02) 6277 4564 or email efpa.reps@aph.gov.au.

For media queries about hearing arrangements: Please contact the House of Representatives media adviser, Andrew Dawson, on (02) 6277 2063 or mobile 0401 143 724.

House of Representatives Economics, Finance and Public Administration Committee

The Hon Bruce Baird	Chair
Mr. Chris Bowen	Deputy Chair
Mr. Steven Ciobo	
Mr. Joel Fitzgibbon	
Ms Sharon Grierson	
Mr Stewart McArthur	
Mr. Andrew Robb	
The Hon Alexander Somlyay	
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Mr Malcolm Turnbull	

For further information on the February 2005 Statement on Monetary Policy by the RBA which will form the basis of the discussion for the hearing, go to: www.rba.gov.au