

THE RBA IN THE COMMUNITY

Regional Offices

Previous years' Annual Reports detailed the establishment of Regional Offices in Queensland, Victoria and Western Australia.¹ In March 2003, a Regional Office was opened in South Australia. The establishment of these Offices followed the closure of the RBA's branches in these States. Their creation is designed to maintain the RBA's presence in the community and to ensure that channels for receiving information about economic conditions remain open. In fact, the Regional Offices undertake activities that have increased substantially the RBA's interaction with a broad cross-section of the community and have opened new channels of communication.

The Regional Offices have three main roles. These are liaison activity, with economists in the Regional Offices gathering timely information about business conditions; the analysis of this and related information to help inform the RBA's assessment of the economy and, ultimately, its policy deliberations; and a representation role. The following sections provide details on these activities.

Summary of Contact by All Offices
(up to 30 June 2003)

	Number of agencies consulted	Total number of interviews
Government agencies	119	190
Research bodies	20	25
Industry groups	155	456
Businesses	773	1 261
Total	1 067	1 932

Liaison Activity

Initially, staff in the Regional Offices sought to establish relations with State-based economic agencies, such as Treasuries and other government departments, and industry associations. In this way, they developed familiarity with regional and industry developments prior to approaching individual firms. A business register was purchased with the contact details of some 5 000 large and 3 000 medium-sized businesses, which are representative of each State's economy (in that the number of businesses in each industry is proportional to that industry's share of production in the State). A sample of businesses was chosen from this register for liaison, largely at random, and other businesses have been progressively added in response to economic developments.

Contact with businesses is first made in writing to the CEO, and the purpose of the liaison, its voluntary participation and the confidential nature of discussions are explained. Of those who agree to participate, it is intended that they will receive a minimum of one annual on-site visit. The regularity of contact does, however, vary significantly and firms indicate the amount of contact that is appropriate for them.

Comparing the number of agencies consulted with the total number of interviews provides an indication of the amount of "repeat contact". The program has reached a stage of maturity where there is a deal of repeat contact with businesses. The frequency of repeat contact with businesses is, however, less than with industry groups. This reflects a desire to minimise inconvenience for businesses,

¹ The Victorian Office services Tasmania, the Queensland Office services the Northern Territory and staff in Head Office service New South Wales and the Australian Capital Territory.

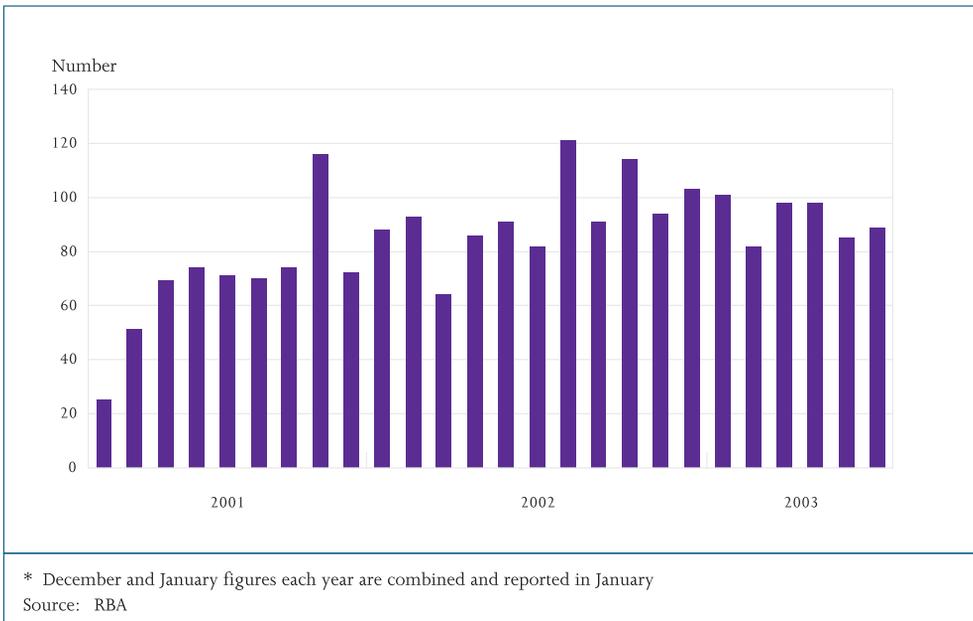
but also the time taken for businesses to cumulate significant new information about their business conditions. In contrast, a high level of repeat contact is made with industry associations, for whom visits are less of an imposition. Furthermore, they typically have access to a broader set of information than an individual business has and are well placed to share timely information about whole sectors of the economy. To help reduce inconvenience, where appropriate, liaison visits are conducted jointly with the Treasury.

The amount of liaison has grown steadily over the past two years, and has now levelled out at around 90 contacts per month. There are a few industries in which the share of liaison has been disproportionate to the industry share of GDP. These include tourism and transport, and reflect liaison associated with the impact on airline travel and tourism of the collapse of Ansett, the events of September 11, 2001 and more recently the SARS outbreak. Liaison has also been over-represented in construction and related manufacturing, reflecting the Offices' monitoring of

the housing cycle and its effects on the wider economy. More recently, there has been a focus on the drought, so that a disproportionate share of liaison has been conducted with agricultural businesses and agencies. While various economic shocks have encouraged the liaison effort to be skewed towards particular sectors over the past year or so, the intention is to develop familiarity with organisations across all sectors of the economy so that the RBA is well placed to obtain intelligence about policy-relevant issues as they emerge.

In addition to the liaison by the Regional Offices, a longstanding contact with around 15 large retailers has been maintained. The RBA also chairs the Small Business Advisory Panel. This Panel, established in 1993, meets once a year to discuss issues relating to the provision of finance for small businesses. Membership of the Panel is drawn from a wide range of industries and from across the country. The Panel represents a valuable source of information on the financial conditions faced by small businesses.

GRAPH 20 | REGIONAL OFFICE LIAISON CONTACTS PER MONTH*





TOM ROHLING, SENIOR REPRESENTATIVE IN THE WESTERN AUSTRALIAN REGIONAL OFFICE, ON AN INDUSTRY VISIT TO OIL AND GAS FACILITIES IN THE PILBARA.

Economic Reporting

A valuable feature of the liaison program has been the preparedness of firms and agencies to share both qualitative and quantitative information about developments in their industry or region. Qualitative assessments of current conditions are valuable because of industry participants' proximity to real economic activity, their ability to explain the nature of recent events and risks to the outlook, and the timeliness of their information. Periodically, these qualitative assessments are enhanced by the provision of data, much of which relates to the current period, is high frequency or a census of observations. Intelligence obtained from the liaison program is often more timely than official statistics or private-sector surveys, and can help fill gaps in information. Information gathered through liaison has proven particularly useful to form an assessment of: the initial impact of the shocks of September 11, 2001 and the collapse of Ansett, the subsequent process of recovery and more recently of the effect of SARS on the tourism industry; demand and supply conditions in the apartment market; and on the severity of the drought and the financial situation of farmers.

Each month, both qualitative and quantitative evidence gathered from liaison is summarised and the findings feed directly into the RBA's monetary policy process. The output from liaison has motivated a number of internal pieces of analytical work, while other projects have been conducted by the Regional Offices using official statistics so that the information gathered in liaison can be more fully appreciated. These forms of written output provide material that feeds regularly into the monthly information provided to the Board, as well as the RBA's economic publications including the *Statement on Monetary Policy*.

Regional Representation

In addition to their contact with businesses and other agencies, Regional Office staff are the first point of contact with the RBA for the general public in their States. They field a large number of enquiries about the role of the RBA, economic statistics and monetary policy decisions. Regional Office staff also give presentations to the public in their geographic areas. Many of these have been to teachers' associations, but they have also included presentations to local industry bodies and universities. They have generally been about the framework for monetary policy or current economic conditions.

The more substantive form of representation, however, comes from the functions hosted at the Regional Offices. Two of the Offices have hosted Board meetings, and the facilities in each Office allow for potential rotation of Board meetings in regional areas. Presentations on the *Statement on Monetary Policy* have become a regular occurrence. These are given by senior management and communicate the main themes of the *Statement* to liaison contacts, as well as providing an opportunity for dialogue between senior management and these contacts. When other RBA staff are visiting the regions, they are encouraged to give presentations on research work. These presentations have become an important device to help give something in return for the liaison contacts.

Accountability

As an independent central bank with carriage of monetary and financial system policies, the RBA is required to be accountable to the Parliament for its actions. Beyond those formal requirements, the RBA provides comprehensive and timely information on all its processes and operations. Accountability and its companion, transparency, are important elements in ensuring a broad understanding and acceptance of the policy framework.

Since 1996 the RBA has attended twice-yearly hearings of the House of Representatives Standing Committee on Economics, Finance and Public Administration. In the past financial year, the Governor and senior officials attended hearings in Warrnambool and Melbourne to answer the Committee's questions on a range of topics including the economic outlook, monetary policy, household debt, exchange rates and reform of the payments system. This is now the major formal mechanism the Parliament uses to ensure accountability. It augments the long-standing practice of tabling in Parliament an annual report on the RBA's operations and financial accounts, as required by law.

A quarterly *Statement on Monetary Policy* is published, with the latest analysis of economic and financial conditions, the outlook for inflation and the rationale for recent policy decisions. The *Statement* is issued in February, May, August and November; those for May and November are an important input for the Standing Committee's deliberations and its questioning of the RBA. The media can gain access to embargoed copies of the *Statement on Monetary Policy* through attendance at a "lock-up" prior to the official publication time. This facilitates the ability of the media to digest, analyse and then report on this core RBA publication.



AT THE HEARING OF THE HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS, FINANCE AND PUBLIC ADMINISTRATION, IN WARRNAMBOOL, VICTORIA, IN DECEMBER 2002: FROM LEFT, RIC BATELLINO, ASSISTANT GOVERNOR (FINANCIAL MARKETS); IAN MACFARLANE, GOVERNOR; JOHN LAKER, ASSISTANT GOVERNOR (FINANCIAL SYSTEM); AND GUY DEBELLE, HEAD OF ECONOMIC ANALYSIS.

Communication

Speeches by the Governor and senior officials are an important mechanism for communicating the RBA's views. In the past year there were speeches to various forums in Adelaide, Brisbane, Canberra, Melbourne, Perth and Sydney on topics such as inflation targeting, deflation, household debt, the international economy, capital flows and the economic outlook.

The Information Department acts as a point of first contact for media enquiries as well as questions from the public. In total these enquiries ran to about 550 per month on average in the past year.

The monthly *Bulletin* continues to be the document of record for material such as speeches, media releases and statistics. The *Bulletin* also serves as a source of articles on specific topics of interest. In the past year articles were published covering issues such as developments in the household sector, the labour market, exchange rates, the funds management industry, bank fees, international finance and the RBA's open market operations.

Research work by the staff is published in the Research Discussion Paper series. There were eleven papers in 2002/03. These papers, which are of most interest to professional economists, ranged over topics such as exchange rate issues, the usefulness of business surveys, financial markets and monetary policy transparency, labour market trends and statistical measurement issues. While these research papers focus on issues of relevance to policy, they represent the views of the authors rather than the RBA or its Boards and are designed to contribute to general debate among researchers in these fields, both within Australia and overseas. Where possible, non-technical versions are published in the *Bulletin* to assist wider public access to RBA research.

In a similar vein, since the late 1980s the RBA has hosted an annual economic conference on a subject of general and current interest. The conference held in August 2003 was on the topic of Asset Prices and Monetary Policy. The conference brought together prominent economists from overseas and Australia to

discuss papers on the nature of asset price movements and their implications for monetary policy, drawing on history and recent experiences in other countries such as Japan and the United States. A volume of conference proceedings will be published by the end of the year.

Over recent years the means by which information is disseminated has evolved substantially. Demand for hard copies of RBA publications has continued to decline while use of the website (www.rba.gov.au) is growing at a fast pace. In 2002/03 subscriptions to the *Bulletin*, for example, declined by 16 per cent to around 1 250 while use of the website rose by over 30 per cent. The website's free email service, which covers all recent news items, had 4 700 subscribers at end June 2003, double the number of a year earlier. A separate email service for Research Discussion Papers had nearly 900 subscribers.

All information published by the RBA is available free-of-charge on its website. The anticipated timing of future publications and events is also flagged under "Coming Up" on the home page. During the past year a number of measures to enhance further the usefulness of the website were undertaken. These included a review and modification of the site to ensure best possible access for visitors with disabilities. Another was the inclusion of a separate "Education" section for teachers and students, which brings together educational material already on the site in a more accessible way.

Financial Assistance for Economic and Financial Research and Education

The RBA has a long-standing commitment to provide assistance for various educational and research activities. In this context, funding is provided towards the costs of a monthly survey of inflation expectations, undertaken by the Melbourne Institute of Applied Economic and Social Research at the University of Melbourne, and of a quarterly survey of union inflation and wage expectations, by the Australian Centre for Industrial Relations Research and Training at the University of Sydney.

RBA support for scholarships under the Elite Executive Honours Scholarship Program, organised by Axiss Australia, the government agency charged with promoting Australia's position as a global financial services centre, continued during 2003. This year, the two scholarships funded by the RBA under this Program were for study, respectively, at the University of New South Wales in Sydney and the University of Queensland in Brisbane. The RBA has also become a co-sponsor, along with the Australian Prudential Regulation Authority (APRA), of the Brian Gray Scholarship Program, established in 2002 in memory of a former senior executive of the RBA and APRA; four scholarships for 2003 were awarded under this Program, to Honours students for study at the Universities of Melbourne, New South Wales and Sydney and at Macquarie University.

Each year, part of the RBA's financial assistance to Australian universities takes the form of a contribution to the costs of their organising conferences in economics and closely related endeavours. In 2002/03, these conferences included: the 31st Conference of Economists, organised by the South Australian Branch of the Economic Society at Glenelg in September/October 2002; the annual Conference for PhD students in Economics and Business, held at the Australian National University in Canberra in November 2002; and the 15th Australasian Finance and Banking Conference at the University of New South Wales in December 2002. In 2003, the RBA for the first time provided some financial assistance towards the costs of the Economics and Business Studies Competitions, conducted throughout the country for senior secondary students and organised by a committee of students from the Commerce and Economics Society at the University of New South Wales.

From time to time, the RBA also assists with contributions towards the costs of running other conferences whose subject matter and/or organising bodies are related to the RBA's areas of responsibility and interest, in particular our international relations in the Asian region. In one such case in the past year, the RBA's assistance took the form of provision of accommodation free-of-charge at the HC Coombs Centre for Financial Studies, in Kirribilli, for attendees at the APEC Future Economic Leaders Think Tank, hosted by Axiss Australia in June 2003. The RBA has also provided financial support towards the costs of running the 9th Commonwealth Study Conference, to be held in Australia and New Zealand in October 2003.

The RBA seeks to encourage open discussion of issues related to public policy. For several years, it has made a modest contribution to the general running costs of two Sydney-based think tanks, the Centre for Independent Studies and the Sydney Institute.

In the international sphere, the RBA made a third annual contribution, along with those of a number of other central banks and other institutions, to the reconstituted International Accounting Standards Committee. The RBA also continued its long-standing practice of contributing to the Group of Thirty to support its program of research and publications in the area of international finance.

Charitable Donations

During the year, the RBA increased the overall level of its support for charitable organisations. As in other recent years, the RBA contributed a total of \$25 000 to 17 Australian charities, whose work covers a broad range of medical problems and disabilities. In addition, the RBA undertook, along with a number of other major Australian financial institutions, to provide \$50 000 per annum for ten years to the Financial Markets Foundation for Children, of which the Governor is Chairman.

Statutory Obligations

Equal Employment Opportunity (EEO)

As required under the *Equal Employment Opportunity (Commonwealth Authorities) Act 1987*, the RBA reports to the Australian Parliament each year on its EEO Program. The *Equity & Diversity Report 2002* was tabled on 16 October 2002, and included a review of the RBA's Disability Action Plan.

Health and Safety, Compensation and Rehabilitation

The RBA is required, by Section 74 of the *Occupational Health and Safety (Commonwealth Employment) Act 1991* (OH&S Act) and the conditions of its licence as a Licensed Authority under the *Safety, Rehabilitation and Compensation Act 1988*, to report each year on matters of health and safety, workers' compensation and rehabilitation as they affect the RBA.

The RBA's current licence to self-insure and manage claims for workers' compensation expires at end June 2004. The RBA determined 25 claims for workers' compensation in 2002/03; these were all of a minor nature and there was no requirement for formal Return to Work Plans. No incidents required notification to Comcare in terms of Section 68 of the OH&S Act. The RBA's contract with Australia Post to manage requests for reconsideration of determinations was renewed during 2002/03. No reconsideration requests were lodged by employees in that period.

During the year, the RBA's management systems for prevention, rehabilitation and workers' compensation claims were reviewed by external auditors in accordance with the Conditions of Licence. These audits confirmed that the RBA continues to comply fully with the requirements of its licence and the relevant legislation.

The RBA provided a Management Systems Review and Improvement Program Report to Comcare in March 2003 as required. That report indicated that the RBA continued to perform well against indicators

set by the Safety, Rehabilitation and Compensation Commission and its performance compared favourably with other self-insurers.

Freedom of Information

Section 8 statement

The RBA is an exempt agency under the *Freedom of Information Act 1982* in respect of documents concerning its banking operations (including individual open market operations and foreign exchange dealings) and exchange control matters.

Organisation and functions: The RBA is Australia's central bank. It was established by Commonwealth legislation in 1911. Its functions, powers and responsibilities are specified in the *Reserve Bank Act 1959*, the *Banking Act 1959*, the *Financial Corporations Act 1974*, the *Commonwealth Authorities and Companies Act 1997*, the *Payment Systems (Regulation) Act 1998*, the *Payment Systems and Netting Act 1998*, and the *Corporations Act 2001* and in Regulations made under those Acts. An organisational chart appears at the end of this Report.

Categories of documents: Lists of publications, including speeches, articles, occasional papers, information booklets, conference volumes, regular media releases and other publications are published from time to time in the *RBA Bulletin*; this information is also included on the website (www.rba.gov.au). Other documents are held in the form of working notes and files covering policy and operational matters, statistical data, personnel, premises and general administration.

Facilities for access and Freedom of Information procedures: Inquiries under the *Freedom of Information Act 1982*, including requests for access to documents, should be directed to the Secretary (in Head Office), the Senior Representatives in the Regional Offices (in Adelaide, Brisbane, Melbourne and Perth) or the Manager of the branch (in Canberra). Applications should be accompanied by the application fee (currently \$30). Facilities to inspect documents to which access has been granted are available.

Section 93 statement

Four requests (including one transferred from another agency) for access to documents under the *Freedom of Information Act 1982* were received in 2002/03, compared with nine requests in 2001/02 (two of which were in progress at the end of that year). In 2002/03, access was granted in full on one request and in part on three requests, while one request was withdrawn and one was still being processed at year's end. No applications for internal

review were received during the latest year and, on the one such request which had carried over from the previous year, access was granted in part.

The total cost to the RBA of administering the *Freedom of Information Act 1982* in 2002/03 was estimated to have been approximately \$60 900, compared with approximately \$436 700 in 2001/02. Application fees of \$60 and charges of \$566.45 were collected.