

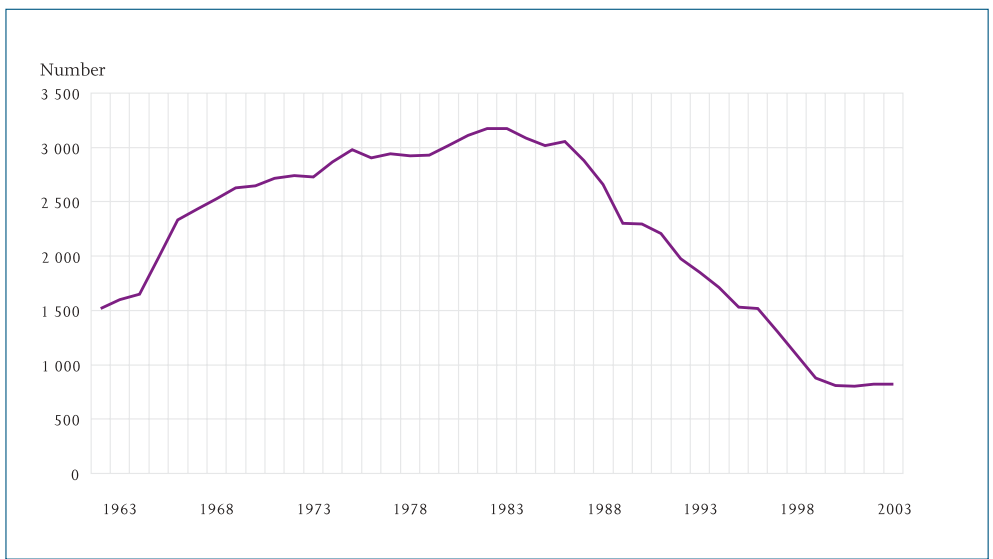
MANAGEMENT OF THE RBA

Staffing levels in the RBA changed little in 2002/03, with total employees of 820 at 30 June. The recent experience of a levelling-out in staffing numbers comes after a long period of large staff reductions dating from the mid 1980s. The RBA now has about a quarter of the number of employees it had in 1983, when staff numbers reached a peak. These developments have been explained in detail in previous Annual Reports.

While aggregate staff numbers have been steadier in recent years, there has continued to be some change in activities within the RBA, as management has met new demands and reviewed the resources applied to a number of ongoing operations. As discussed in the Business Services chapter, the branch in Adelaide was closed in March 2003 as a consequence of the loss of the banking business of the South Australian Government. This saw 26 staff

made redundant. The RBA now provides banking services – almost exclusively for the Australian Government – only from Sydney and Canberra. Branches in other State and Territory capital cities have been progressively closed since 1997, mainly, as in South Australia, in response to State governments transferring their banking business to commercial banks. This business had been fundamental to the economic viability of the RBA’s branches in most States, especially once technology permitted the consolidation of the Australian Government’s banking and registry functions in Head Office. So the loss of State government business led directly to the closure of the branches concerned. The operation in Canberra is small, with 11 staff, and remains for the convenience of the major Australian Government customers located there.

GRAPH 21 | NUMBER OF RBA STAFF As at 30 June, excluding NPA



Source: RBA

**Provision of Financial Services to State and Territory Governments (Year in which service ceased)**

State/Territory	Banking Registry		Branch closed in:
Northern Territory	1986	(a)	1997
Tasmania	1998	(a)	1998
Queensland	1995	(a)	2000
Western Australia	1999	1998	2000
Victoria	(a)	(a)	2000
Australian Capital Territory	1999	(a)	remains open
South Australia	2003	2003	2003
New South Wales (b)	(a)	1997	1997

(a) Function never supplied by the RBA

(b) The RBA's banking and registry operations have been centralised as business lines in its Head Office, but the branch for New South Wales closed in 1997

As the branches have been closed, representation has been retained in most States by opening Regional Offices to liaise on economic matters with local companies, industry bodies, government agencies and universities. In 2003 a new Regional Office in Adelaide was established, with three staff. In previous years, Regional Offices were opened in Brisbane, Melbourne and Perth. Thirteen staff now work in these Offices around Australia and are part of Economic Analysis Department, which has seven staff engaged directly on regional and industry analysis. More information on the activities of the Regional Offices is given in the chapter on The RBA in the Community.

Small increases in staffing levels within Head Office were brought about by changing activities. The most significant of these was the completion of the project to take direct control of the system for real-time gross settlement (RTGS) of interbank obligations. Also, additional dealing staff were employed, and hours of operation of settlement were extended, to accommodate new domestic money market arrangements introduced with the start of operations of CLS Bank.

Risk management is considered an integral part of management's function, with clear responsibilities assigned for the control and monitoring of risk. To improve further the already strong management of risks across the RBA's operations, a Risk Management Unit has recently been established, with the primary objective of ensuring a consistent framework for the definition, assessment and monitoring of risks throughout the institution. The Head of this unit reports to a Risk Management Committee, made up of senior officers and chaired by the Deputy Governor. The Risk Management Committee will liaise with the Audit Committee. This group will see a small rise in staff numbers over time.

The RBA continues to seek high-calibre honours graduates in economics and related disciplines when recruiting new staff, especially for the policy functions. Thirty four graduates were employed under the Graduate Development Program, which provides two years of structured training and development for these recruits. The RBA also aims to attract staff of suitable quality by offering cadetships to students about to begin their honours year. Cadetships provide two months of work experience before the honours year begins and financial support during the honours year itself. Reflecting the demand for highly qualified staff, 14 cadetships were offered for 2003. Fourteen of this year's graduate intake had previously been cadets.

Opportunities for staff to develop their knowledge and skills in relevant disciplines are also provided. The Post-Graduate Study Award Program offers support for selected staff of the highest standard to study full-time for post-graduate qualifications at universities in Australia and overseas. As at end June, six staff were studying under this Program. Other staff are encouraged to obtain qualifications of value to the RBA and relevant to their career. Fifty six staff are undertaking part-time tertiary studies in Australia, with the RBA meeting tuition fees on successful completion of courses. About two-thirds of staff have tertiary qualifications and one in six has post-graduate qualifications.

The RBA also encourages staff to broaden their experience through secondments to relevant organisations. Over the years, staff have worked at the Bank for International Settlements, Treasury, the Australian Taxation Office, APRA and other central banks. The RBA continues to attract staff with relevant overseas experience. A number of senior staff have significant international experience, including at the IMF, the OECD and other central banks.

For over 15 years, employment for trainees has been provided through the Australian Government's New Apprenticeship Scheme. A total of 158 individuals have completed this training. This year a further 10 trainees were employed in the fields of business administration, IT and print design.

The process of modernising remuneration arrangements to attract and retain staff of the standard required continued in 2002/03. Over recent years, this process has involved the increasing use of individual employment contracts to allow greater flexibility. Almost 60 per cent of staff are now on individual agreements, up from 53 per cent a year ago, and compared with only a few of the most senior staff in 1999. The contracts offered have been most attractive to professional staff with potentially highly marketable skills. These agreements require employees to forgo, among other things, any entitlement to housing loan assistance. None of the most senior staff has a housing loan from the RBA. The move to individual agreements is entirely voluntary. Staff who decline the offer of contract employment retain their existing conditions.

Consultations were held during the year on a new enterprise bargaining agreement (EBA), which provides the basis for changes to salary and employment conditions for staff generally. Key items are changes to performance pay – to provide more scope to reward better staff within the same budget constraint – and more flexibility to manage work and family commitments. Some useful administrative efficiencies will also be achieved. Staff covered by

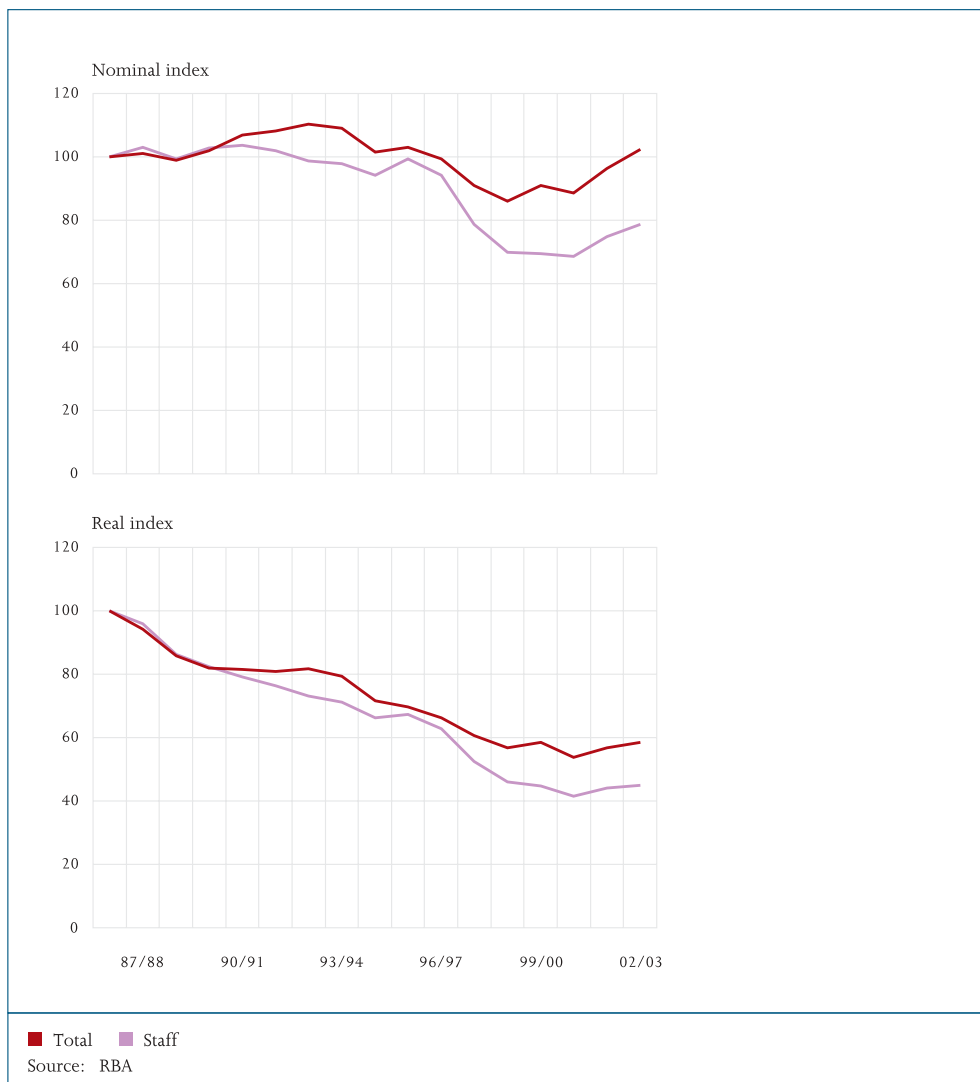
this agreement will receive an annualised salary increase of 4 per cent in November 2003 and November 2004. Staff on individual contracts will receive, on average, the same annual increase as staff covered by the EBA.

## Operating Costs

Operating costs in 2002/03 were boosted substantially by expenses, amounting to \$6.1 million, for the litigation in relation to the credit card reform proposals. Costs associated with currency processing and distribution also rose as the National Note Processing Centre geared up further and the RBA sampled more banknotes in circulation to ensure that the quality of these notes remained high. The full-year effect in 2002/03 of the project to bring the RTGS system in-house also increased costs, and depreciation charges increased as the Head Office consolidation project was completed. The sale of the building in Adelaide, and the closing of the banking business there, helped contain costs. Total operating costs rose by 6 per cent in 2002/03. Despite this rise, these costs remain lower in nominal terms than at their peak in the mid 1990s; in real terms, they are about 40 per cent below their peak.

The rise in staff costs reflected a rise in base salaries of 3.8 per cent in July 2002, plus some performance payments. Average staff levels were also higher in 2002/03 than in the previous year. Nominal staff costs remain three-quarters of their level at the peak in 1990/91.

GRAPH 22 | RBA OPERATING COSTS 1986/87 = 100

**Operating Costs (a)**

(\$ million)

	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Staff costs	93.0	98.3	93.0	77.7	69.1	68.7	67.7	73.9	77.8
Other costs	46.4	43.2	43.4	47.2	49.1	56.1	54.1	58.4	62.7
Underlying operating costs	139.4	141.5	136.4	124.9	118.2	124.8	121.8	132.3	140.5
Cost of redundancies	18.0	1.3	7.5	20.7	18.4	9.3	2.6	3.4	2.6

(a) Costs associated with the ongoing operation of the RBA, excluding NPA

<b>Distribution of Underlying Operating Costs (a)</b> (Per cent)					
	Monetary policy	Financial system surveillance	Note distribution	Banking and registry	Settlement
1997/98	30	14	23	23	10
1998/99	35	8	20	23	14
1999/00	35	8	23	20	14
2000/01	41	9	17	18	15
2001/02	43	9	15	18	15
2002/03(b)	45	10	13	17	15

(a) Excludes NPA

(b) Because costs of financial system surveillance have been distorted in 2002/03 by costs associated with litigation, these latter costs are excluded from the figures in the table

The share of operating costs in the core policy areas of monetary policy and financial system surveillance is now over half of total costs. This partly reflects the opening of the Regional Offices in recent years. This pattern differs from a few years ago, when policy functions accounted for around 40 per cent of operating costs, even though, at that time, the RBA also had responsibility for bank supervision.

The remaining costs are now spread fairly evenly between note distribution, banking and registry operations, and the provision of settlement services. (Details on these activities are provided in the chapter on Business Services.) The share of resources devoted to the provision of settlement services has increased, with the introduction of RTGS, and, subsequently, with its in-house operation. Costs associated with note processing and distribution continue to decline as a share of total costs, representing about half their share in 1997/98. The share of costs incurred by banking and registry has also fallen as these activities have been consolidated and, with the exception of Canberra, branch operations have been closed.

## Facilities Management

Lower staffing, the consolidation of activities, such as note distribution, and smaller interstate representation has resulted in an overall reduction in the RBA's accommodation requirements. Property holdings have been rationalised accordingly, by making surplus space available to external tenants in Sydney; selling buildings, when no business needs exist to own them; and letting space in the remaining buildings in Melbourne and Canberra.

A major element of this rationalisation strategy has been the consolidation of activities within the Head Office building. This included undertaking major works to convert under-used plant and back-of-house space to usable office space. The construction phase of this project commenced in September 2001, following consideration of the project by the Joint Parliamentary Standing Committee on Public Works and its endorsement by Parliament in December 2000. Construction was completed in December 2002 ahead of schedule and within the approved budget of \$21.5 million. A total of about 6000 square metres of floor space was made available to let.

A campaign to lease this space commenced early in 2002, with two tenants signing long-term leases for occupation of about a third of this space. The first tenant arrived in January 2003. The remaining space continues to be marketed and has been the subject of interest from potential occupants.

As a result of the closure of branch operations in South Australia, the Adelaide premises were sold in February 2003 for \$4.6 million. Soon after, the new Regional Office for South Australia was temporarily established in these premises, pending relocation to more suitable long-term leased accommodation in September 2003.

The RBA continues to have a business need to own its buildings in Melbourne and Canberra. The Melbourne building houses the Victorian Regional Office and supports the operations of the NNPC. The premises in Canberra support the RBA's transactional banking business. The RBA occupies about one quarter of the available floor space in these buildings; 93 per cent of the remaining space was let to tenants as at 30 June.