

Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Industry, Innovation, Science, Research and Tertiary Education Portfolio
Additional Estimates Hearing 2012-13
13 February 2013

AGENCY/DEPARTMENT: DEPARTMENT OF INDUSTRY, INNOVATION, SCIENCE, RESEARCH AND TERTIARY EDUCATION

TOPIC: HECS-HELP debt

REFERENCE: Question on Notice (Hansard, 13 February 2013, pages 79 and 80)

QUESTION No.: AI-38

Senator MASON: I will be jumping around a bit, if that is okay, Mr de Carvalho, so bear with me. HECS-HELP debt—is that something for you?

Mr de Carvalho: I think I have heard of it.

Senator MASON: How much HECS-HELP debt is currently considered to be at risk of not being repaid?

Mr de Carvalho: It is estimated that 83 per cent of all new HECS-HELP debt will be repaid.

CHAIR: What is the figure for current debt?

Mr de Carvalho: The total pool of debt?

CHAIR: The percentage.

Mr de Carvalho: The total debt out there is around \$26 billion. Debt not expected to be paid—and Mr Warburton will correct me if I am wrong—is currently in the order of \$6.2 billion.

CHAIR: About a quarter. So you are roughly increasing, you think, from 75 per cent to 83 per cent.

Mr de Carvalho: Yes. The 75 per cent, if you like, represents the current stock. The 83 per cent was in reference to new stock.

Senator MASON: Do the actuaries—or anyone else, for that matter—break down that sum into components, for example at risk of not being repaid due to death, at risk of not being repaid due to likelihood of not reaching the repayment threshold, or some other measure? Are there component parts to the final summation of, let us say, about 25 per cent?

Mr Warburton: I am not aware that they break down debt not expected to be repaid into those components.

Senator MASON: Is that right? So it is just a global figure? Of the roughly 25 per cent, as the chair suggested, that is not disaggregated?

Mr Warburton: Not that I am aware.

Senator MASON: That is a pity. That would be interesting. Do you have an estimate at all, then, about how much debt is in the hands of Australians working overseas?

Mr Warburton: Yes.

Senator MASON: You do! That is something.

Mr Warburton: The research that has been undertaken—the best that we have seen is the material that was put together by Chapman and Higgins—would seem to indicate to us that 90 per cent of debt not expected to be paid, that is, the current stock not expected to be paid, relates to Australians who are in the country or only go overseas for very short periods of time. So less than 10 per cent is people who have moved permanently overseas. That is of the stock that is not expected to be repaid.

Mr de Carvalho: It is important to say that the research done by Professor Chapman and Dr Higgins relies on some fairly heroic assumptions to fill in gaps in the data, and they acknowledge

that. It is their best guess that the results of their research suggest that the foregone revenue from HECS debt going overseas in the period 1989-2011 was between \$400 million and \$800 million. So you can see that that is quite a—

Senator MASON: Margin for error, isn't it? Or discrepancy.

Mr de Carvalho: It is quite a big gap. It could be anywhere from \$400 million over that 20-year period.

Senator MASON: When someone goes overseas to work, is that amount then considered doubtful? In other words, is it 100 per cent of the people going overseas, having completed an Australian degree, to work in London or New York or wherever, that is automatically then considered doubtful?

Mr de Carvalho: I would have to take that on notice.

ANSWER

It is not possible to calculate the number of HELP debtors who reside overseas or have had their debt repayments interrupted due to relocating overseas. People who have either permanently relocated or are working overseas for a significant period are not required to inform the Australian Taxation Office (ATO) of their residency or lodge a tax return.

The calculated proportion of HELP debt that is not expected to be repaid (DNER) is based on an actuarial assessment performed by the Australian Government Actuary (AGA). AGA does not know which HELP debtors are residing overseas when estimating DNER as the ATO client data does not contain this level of data.