

EDUCATION, SCIENCE AND TRAINING

SENATE LEGISLATION COMMITTEE - QUESTIONS ON NOTICE 2003-2004 ADDITIONAL ESTIMATES HEARING

Outcome: 2

Output Group: 2.5 – Assistance for post school students including those with special needs.

DEST Question No. E904_04

Senator Carr provided in writing

Question:

- Can you provide a table of the estimates of HECS doubtful debt as made in each year 1996-2004, for the out years as calculated at the time? (The information requested is historical data about the way estimates have changed over time.)
- Is it the case that the doubtful debt for HECS/HECS-HELP as *now* estimated is at 28.7% of total debt? Is it the case that this estimate has grown from 22%? When was the estimate at 22%?
- Please provide a dollar value for the latest estimates (current estimates).
- Please explain the reasons and factors contributing to the changes in the percentage of debt reckoned as doubtful over the period.

Answer:

HECS doubtful debt increase in percentage

a) The Australian Government Actuary (AGA) calculates the HECS doubtful debt estimate each year. The following table shows the doubtful debt estimate and the proportion of total outstanding debt that it represents from 1992-93 to 2002-03.

Year	Doubtful debt estimate (\$m) at 30 June	Total Outstanding Debt (\$m)	Doubtful debt as a proportion of outstanding debt
1992-93	386	2,320	16.6%
1993-94	438	2,931	14.9%
1994-95	541	3,353	16.1%
1995-96	687	3,958	17.4%
1996-97	607	4,503	13.5%
1997-98	700	4,922	14.2%
1998-99	953	5,525	17.2%
1999-2000	1,124	6,229	18.0%
2000-01	1,397	7,161	19.5%
2001-02	1,723	8,104	21.3%
2002-03	2,019	9,094	22.2%

The current doubtful debt estimate for 2003-04, based on actuarial assessment, is presented in the above format in the answer to question E903_04.

b) As at Additional Estimates 2003-04, it is estimated that doubtful debt for the entire Higher Education Loans Programme (HELP) will be 28.7% of the total debt in 2007-08. The estimate for the current loan schemes is 22.2% for 2003-04.

c) The dollar value of the estimates of doubtful debt, as at Additional Estimates 2003-04, is as follows:

- 2003-04: \$2,243m
- 2004-05: \$2,483m
- 2005-06: \$3,362m
- 2006-07: \$3,913m
- 2007-08: \$4,510m

d) The factors contributing to an increase in estimated doubtful debt in the out years include: the expansion of the current loan schemes under the HELP initiative; the significant increase in the minimum compulsory repayment threshold to \$35,000 in 2004-2005 and then to \$36,184 (indexed) from 2005-06 onwards; and the increasing importance of unpaid debt from the earlier years of operation of the HECS scheme.