

Senate Standing Committee on Education Employment and Workplace Relations

QUESTIONS ON NOTICE Additional Estimates 2010-2011

Outcome 3 - Higher Education

DEEWR Question No.EW0917_11

Senator Mason asked on 24/02/2011, Hansard page 124.

Question

COST TO GOVERNMENT OF A DOLLAR OF HELP

Senator MASON—This is not really my area, Mr Warburton, so you will have to be very gentle with me. *What is the cost to government per dollar lent of unpaid debt and interest forgone? Is this proportion expected to change as enrolments grow with uncapped places?* I am not an economist but one of my staff knows a lot more about this than I do, Mr Warburton. Senator Chris Evans—I think we have established your lack of credentials in this regard. I share them. Senator MASON—I am no economist. Mr Hazlehurst—It is a very interesting question. Mr Warburton—I think it would probably be best if we took that one on notice. We could have a look at it and a think about it and see if we could give you a reasonable answer. Senator MASON—You might be able to help me? All right. Ms Paul—It is possible a proportion would change, but probably the safest course is to take it on notice and have a think about it. Senator MASON—I think you are more of an economist than I am, Ms Paul. It is not quite my thing. Mr Warburton—If it will help, the Commonwealth does look at the cost to it of the loan arrangements and the loans are only indexed by CPI. In the actuarial processes for determining the fair value of outstanding debt to the Commonwealth, there is a calculation that compares that to the bond rate, because otherwise that is a reflection of how much it is costing the Commonwealth, and so that estimation goes into the accounting treatment of the value of the total outstanding debt to the Commonwealth. Senator MASON—*Can you provide the committee with some analysis?* Mr Warburton—I know a bit about this but I do not do the analysis myself. I will take that on notice. Ms Paul—We will take it on notice.

Answer

There are a range of costs to Government associated with the HELP program. These include:

- the discount for upfront payment of student contribution amounts. This is paid for students who elect to pay all or some of their student contribution direct to their higher education provider, reducing the person's reliance on HECS-HELP loans;
- the bonus for voluntary repayments. This is paid by the Australian Taxation Office further reducing a person's HELP debt when the person repays an amount of that debt before they are required to do so;
- the cost associated with HELP debt that is not expected to be repaid. There are a variety of reasons that debt may not be repaid, including low taxable income and death;
- the cost that arises from HELP debts having no real interest rate and being repaid over time (the deferral cost).

The cost to Government of a 'new' dollar of HELP in 2009-10 is estimated to be 32.9 cents. This takes into consideration debt not expected to be repaid, the bonus on voluntary repayments and deferral costs.

The cost to Government of a new dollar of HELP is not expected to change due to the introduction of demand driven funding for Commonwealth supported undergraduate student places, but this cost will be subject to ongoing monitoring. The HELP financial estimates model uses the most recent estimates available from the Australian Government Actuary based on its modelling of individual income and repayment profiles. These estimates were for the financial year ended 30 June 2010.