

## EDUCATION, SCIENCE AND TRAINING

### SENATE LEGISLATION COMMITTEE - QUESTIONS ON NOTICE 2003-2004 BUDGET ESTIMATES HEARING

**Outcome:** 2

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

#### **DEST Question No. E073\_04**

Senator Carr asked on 5 June 2003

#### **Question:**

The long-term bond rate is currently 6%. So is the interest rate on the new loan scheme, if you add a CPI figure to the 3.5%.(sic)

- a) Does this imply that the Government intends to borrow to finance its outgoings under the scheme?
- b) Why has the Government decided to approach the financing of the scheme in this way? Were alternatives considered? What alternatives?
- c) Why were they rejected?

#### **Answer:**

*Financing the loan scheme: Relationship to the long-term bond rate*

- a) The Government's intentions in relation to 2003-04 Budget funding are set out in Budget Statement 7 of Budget Paper No.1 for the 2003-04 Commonwealth Budget.
- b) The interest rate is to help offset the cost to the taxpayer of Government borrowing over the lifetime of the loan. An upfront loan fee was considered as an alternative.
- c) The loan fee model created no direct incentive for students to repay their debt early.