

EDUCATION, SCIENCE AND TRAINING

SENATE LEGISLATION COMMITTEE - QUESTIONS ON NOTICE 2005-2006 BUDGET ESTIMATES HEARING

Outcome: 2

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

DEST Question No. E380_06

Senator Carr provided in writing.

Question:

What projections are available for future years for doubtful HECS debt in dollar terms and as a proportion of total HECS debt?

Please provide all available estimates.

Answer:

Doubtful debt estimates

It should be noted that the technical calculation of doubtful debt is not necessarily a good predictor of the likely propensity of debtors to repay their HECS debt. Doubtful debt is a calculation of debt likely to remain unpaid from all loans ever created as a proportion of remaining outstanding debt, which takes account of repaid amounts. For estimating purposes, it has been assumed that doubtful debt will be a constant 28.35% of the total outstanding debt in the forward estimates period.

Year	Estimate* of doubtful debt (\$ million)	Estimated* total accumulated HECS** debt (\$ million)	Doubtful debt as a proportion of total HECS debt (\$ million)
2004-05	3,277	11,560	28.35%
2005-06	3,768	13,292	28.35%
2006-07	4,330	15,272	28.35%
2007-08	4,945	17,441	28.35%
2008-09	5,597	19,742	28.35%

* These estimates were current at the time the 2005-06 Portfolio Budget Statements were prepared. The Australian Government Actuary has since provided DEST with a preliminary doubtful debt estimate for 2004-05 of around 20% of outstanding debt. This will be reported in the DEST Annual Report for 2004-05 and will be used to update estimates in due course.

** On 1 June 2006, the accumulated HECS debt will become an accumulated HELP debt.