

Answers to written questions notice by Professor Bruce Chapman from Senator the Hon Jacinta Collins, relating to the public hearing in Melbourne on the 24th July 2017

Question 1: What analysis have you done around the elasticity of prices? As in, when does the level of potential debt become an issue for students? If so, can this be broken down by relative demographics?

Answer: I have not done much on this in a technical way, but we can tell that for even major changes in HECS there has been close to no response over a range of changes and years. The price elasticity has to be very low, in terms of applications (and enrolments). This is true for England as well, where the research shows the same, even for very major changes in prices (most importantly, in 2011). The demographic responses don't seem to matter, although there were differences between full and part-time students in England, but this is very likely to be because at the time part-timers didn't have access to an income contingent loans.

Question 2: Considering changing profile of higher education participants – those who are older, some with mortgages and parenting responsibilities – how does that affect price elasticity.

Answer: Not as far as we can tell. It would be expected that if there is an effect it would be for people already earning over the threshold, but even in this situation they won't be paying any more for a few more years, then they pay longer.