

Senate Committee: Education and Employment

**QUESTION ON NOTICE
Additional Estimates 2014 - 2015**

Outcome: Higher Education Research and International

Department of Education and Training Question No. SQ15-000171

Senator Carr, Kim provided in writing

HELP loan scheme

Question

"In reference to PAES for Programme 3.4:

(a) Why have you projected such a substantial increase in expenditure on the HELP loan scheme for the current year over the previous one?

(b) What are all the factors that will cause a rise from \$1.5 billion last year, to \$2.3 billion this year?

(c) And by 2017-18 we will see a massive blowout in costs under this scheme – the figure will be \$4.4 billion. Why is that?

(d) Does this figure reflect your modelling of fee levels and student numbers in that year?

(e) Can you tell us what your assumptions have been?

(f) What assumptions underlie that increase?

(g) How much of it is due to expected growth in the number of students taking out a HELP loan?

(h) Or is it because you expect that students will need to take out much bigger loans – almost twice as big as they currently take out?

(i) What trend do you expect to see beyond 2017-18?

(j) Will expenditure on HELP continue to rise significantly?

(k) The Government says that higher education expenditure is not currently sustainable. If so, how is this increase in HELP expenditure sustainable?

(l) How much of it do you expect will never be repaid?

(m) That amount will rise significantly too, won't it, so long as students have to borrow more to pay increasing university fees?"

Answer

Estimated growth in HELP expenses from 2013–14 to 2014–15 largely reflects growth in new loans, including VET FEE-HELP loans. The HELP scheme is a demand driven programme. The number of places for which loans are paid under the scheme in 2014–15 reflects the continued strong growth in demand from students.

The estimated growth in HELP expenses across the forward estimates reflects continued growth in both student numbers and average loan values.

This figure reflects estimates of enrolments and average annual student contributions from 2016 that were made for estimating the impact on the HELP scheme.

Disclosing Government estimates of student contributions or the assumptions underpinning these would signal estimates to the market in a way which might lead either to collusion or suboptimal market behaviour.

Beyond 2017–18 it is expected that demand for student loans will continue to grow but at a lower rate.

With continued growth in demand, expenditure will continue to grow. The Government's proposed reforms will ensure that overall growth in HELP and Higher Education expenditure is sustainable and affordable to the community.

The Government's higher education reforms include measures to improve the financial sustainability of the higher education system. One example is the measure to reduce the HELP repayment threshold. The Government is continuing to examine options to improve the sustainability of the HELP scheme.

To assist in monitoring growth in debt not expected to be repaid for new HELP loans, the Portfolio Budget Statements (PBS) include relevant performance benchmarks. The performance information published in the 2015–16 Budget statements provides for moderate potential growth in DNER to 21 per cent over the forward estimates (2015–16 to 2018–19).