

Senate Committee: Education and Employment

**QUESTION ON NOTICE
Budget Estimates 2015 - 2016**

Outcome: Higher Education Research and International

Department of Education and Training Question No. SQ15-000303

Senator Sinodinos, Arthur asked on 03 June 2015, Proof Hansard page 57

Proposal to write off HECS debt of STEM students

Question

Senator SINODINOS: The reason I am asking this question is that there had been a proposal recently to write off a HECS debt of 100,000 STEM students. The numbers that have been floated in the public arena have varied. They have varied between \$45 million over the forward estimates to \$353 million and \$1.4 billion over 10 years. I guess I was a bit confused as to the right order of magnitude and whether it is closer to \$45 million or 10 times that—closer to \$353 million—or 10 times that, which is closer to \$1.4 billion?

Mr Griew: To understand the cost of a proposition like that, you have to understand that students repay over about 10 years or a bit more. So the cost is not apparent within the estimates window of discounts.

Senator SINODINOS: You mean it is not apparent over the forward estimates period?

Mr Griew: Yes. The cost is apparent over the expected life of the loan. Imagine one of those funding tables. The first cohort of students does not repay over 10 years. Mostly, they do not graduate, of course, for a number of years, which is another reason it does not go in the estimates window. So it is the period from when they graduate for another 10 years that they are not repaying. Then you get the second cohort, and they are a year later. So a decade later you have the total annual impact. But the 100,000—and it is layered—you can estimate in a gross way by saying it is 100,000 times that amount that is then not going to be repaid. It is a reasonably complex costing to work out how that then builds up over that 10 years. We could take on notice some of that.

Answer

The cost of the proposal depends on the assumptions under which it is costed. Assuming 100,000 students per year undertaking a full-time study load with an average annual student contribution amount of \$9000, it would cost \$900 million for one year and \$2.25 billion over the forward estimates if implemented in 2017.

Assuming that debts would be written off upon graduation for 20,000 graduates per year, with the first students commencing study in 2017, there would be no financial impact over the forward estimates. However, the cost of the proposal is estimated to be in the order of \$4 billion over ten years, assuming there is no growth in the number of students undertaking STEM courses.