

Senate Standing Committee on Education and Employment - Education

**QUESTIONS ON NOTICE
Supplementary Budget Estimates 2014-2015**

Outcome 3 - Higher Education, Reform & Support

Department of Education Question No. ED0699_15

Senator Carr provided in writing.

Question

Fee deregulation

Assumptions of fee levels and doubtful debt:

- (a) In answers to various questions taken on notice at the recent Committee Inquiry, the Department has indicated that it made assumptions and predictions about likely fee levels following deregulation. Understanding that these would be average fee increases, not predictions for individual universities, please outline the assumptions you provided to the Australian Government Actuary.
- (b) QoN No. 22 (Senate Legislation Inquiry into HERRA Bill), states that “the department estimates that under the CGS and HELP, government and student contributions across all Commonwealth supported places will be roughly equal in 2016”. Does this mean you expect the average fee increase across universities will be just enough to cover the CGS funding cuts?
- (c) Given that UWA’s fee strategy has been announced, would you review your position on this question? Will UWA’s announcement send a signal to the other Group of Eight universities? Do you expect that other universities will increase their fees by less than required to make up the funding cuts?
- (d) At the Inquiry hearing on 10 October Mr Warburton said that the figure of \$43.6 billion in the Budget Papers represents the estimated value of the HELP asset in 2016-17, and that this figure was based on the Government’s announcements in the Budget. Do you have estimates for subsequent years – at least to the end of the forward estimates in 2017 18?
- (e) What assumptions did you employ to estimate the HELP asset?
- (f) What proportion of the \$43.6 billion represents the debt of students and graduates who’ve studied under the existing system?
- (g) And how many student borrowers did you estimate would take out loans to cover deregulated fees?
- (h) How much does the average student borrow to pay deregulated fees, in this scenario?
- (i) How does that compare with the current situation? How much does the average student borrow now?
- (j) Have you made any estimates for years further into the future? What assumptions have you made?
- (k) What estimates of doubtful debt have you made? For what years? What assumptions have you made about debt levels and borrowings in that context?

Answers

- (a) 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 operations.
- (b) The department estimates that under the Commonwealth Grant Scheme and the Higher Education Loan Programme (HELP), Government and student contributions across all Commonwealth supported places, including those students that the department estimates will be funded under the existing system, will be roughly equal in 2016. 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 operations.
- (c) The department does not believe that announcement of the University of Western Australia's fee strategy warrants a change to its estimates.
- (d) The fair value of outstanding HELP debt at the end of the forward estimates (30 June 2018) is estimated at \$52.0 billion. This includes all outstanding debt incurred through the HECS-HELP, FEE-HELP, VET FEE-HELP, SA-HELP and OS-HELP loan schemes.
- (e) The estimate of outstanding debt is based on departmental estimates of student contributions and advice from the Australian Government Actuary (AGA) on estimated repayments and the proportion of debt not expected to be repaid (DNER).
- (f) The Department is unable to separately identify the estimated fair value of debt of students who have studied under the existing system.
- (g) It is estimated that around 405,000 'non-preserved' students will take out a loan in 2016, with this number increasing to around 570,000 in 2017. These estimates include both those students that receive a subsidised place due to the budget reforms, as well as those undertaking a bachelor degree at a public university.
- (h) 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 operations.
- (i) The Department estimates that the average student contribution per student place is around \$7,700 in 2014.
- (j) 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 operations.
- (k) The Department has estimated that over the forward estimates, the proportion of DNER could increase from 17 per cent at 30 June 2014 up to around 23 per cent at 30 June 2018. DNER reflects the Government's estimates of the proportion of new debt that will not be repaid. These estimates take account of policy changes and actuarial advice regarding future repayments.