

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

21 – 22 October 2009

Question: sbt 27

Topic: Netting Debt/ HECS Debt

Hansard Page: E8-9 (22/10/09)

Senator JOYCE asked:

Senator JOYCE—This is the pertinent thing. Over \$121 billion of the \$200 billion is gone already. We started with \$21.6 billion of cash in the bank and even before the end of the first term of government we are up to \$121.4 billion in debt. Apart from that we have also underwritten \$57.5 billion, so we are \$170 billion out there.

Mr Ray—I do not think that is quite right.

Senator JOYCE—Are you going to tell me you are netting off debts? What are you netting them against?

Mr Ray—I think you will find that there was about \$58 billion of debt on issue.

Senator Sherry—when we took government in 2007. I have given you those figures in Senate question time on a number of occasions. It is not correct to say that there were no government securities on issue, in other words zero debt, when we came to government.

Senator JOYCE—What was the cash that was on hand at that same point in time?

Mr Ray—We can take that on notice.

Senator JOYCE—What are you netting the debt off against? One of the things you net the debt off against is HECS debt. How are you going collecting that and what is the current HECS debt?

Mr Ray—We will need to take that on notice.

Senator Sherry—Do you want a figure as of today or this week?

Senator JOYCE—Yes, the most recent figure that you have got. You can give me the most recent figure and a date. Are you taking that on notice?

Senator Sherry—Yes.

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Question 1 - What was the cash that was on hand at that same point in time?

Answer:

The following figures have been taken from the Australian Government November 2007 monthly financial statements published by the Department of Finance and Deregulation.

At 31 November 2007, cash and deposits were \$1,370 million whilst net debt was -\$22,112 million. Cash and deposits are included in the calculation of net debt. Net debt equals the sum of deposits held, advances received, government securities, loans and other borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

Breakdown of net debt as at November 2007

	2007-08
	YTD November
	Actual
	(\$m)
Net debt assets	
Cash and deposits	1,370
Advances paid	22,038
Investments, loans and placements	62,050
Net debt liabilities	
Deposits held	297
Advances received	0
Government securities	57,184
Loans	5,486
Other borrowing	379
Net debt	-22,112

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Question 2 - What are you netting the debt off against? One of the things you net the debt off against is HECS debt. How are you going collecting that and what is the current HECS debt?

Answer:

All debts under HECS and other former loan schemes for higher education tuition costs became HELP debts in 2006. Debts incurred since 1 January 2005 are HELP debts. HELP debt repayments are required only when a person's income reaches the compulsory repayment income threshold under the *Higher Education Support Act 2003*. These repayments are collected through the taxation system. Voluntary repayments may also be made at any time to the Tax Office.

The nominal value of the total HELP debt at 30 June 2009, as published in the DEEWR 2008-09 Annual Report, was \$18,052 million. Nominal value equals the total amount of accumulated debt at 30 June 2009 and estimated debt that had been incurred but not yet reported in the period 1 January to 30 June 2009. It also takes account of PAYG receipts in the 2008-09 financial year that had not yet been allocated to individuals' HELP debts.

The fair value of the total HELP debt at 30 June 2009, as published in the DEEWR 2008-09 Annual Report, was \$11,463 million. Fair value equals nominal value *less* debt not expected to be repaid *less* deferral costs. The fair value of the HELP debt is reported in the Australian Government balance sheet under advances paid (refer to Note 14 of the Australian Government financial statements) and is included in the calculation of net debt.

HELP repayments (a)

	2008-09 Actual \$m
HELP receipts paid through the tax system (PAYG) (b)	1,160.119
<i>less</i> compulsory repayment amounts deferred (c)	-1.651
<i>plus</i> voluntary payments of HELP debt to the ATO	196.922
<i>less</i> repayments to individuals (refunds)	-0.683
Total repayments	1,354.707

(a) most recent published actuals taken from the DEEWR 2008-09 Annual Report

(b) HELP receipts paid through the tax system (PAYG) are in relation to the previous income year

(c) Compulsory repayment amounts deferred (for hardship) under section 106W of the Higher Education Funding Act 1988 and/or section 154-45 of the Higher Education Support Act 2003