

## EDUCATION, SCIENCE AND TRAINING

### SENATE LEGISLATION COMMITTEE - QUESTIONS ON NOTICE 2003-2004 BUDGET ESTIMATES HEARING

**Outcome:** 2

**Output Group:** 2.5 – Assistance for post school students including those with special needs

#### DEST Question No. E072\_04

Senator Carr asked on 5 June 2003

#### Question:

I have a series of questions about the new loan scheme, FEE-HELP:

- a) How did you decided on an interest rate of 3.5%?
- b) Is that related to the long-term bond rate available to the government?
- c) What is that rate at the moment?
- d) Is the interest rate fixed (aside from the CPI component)? If it is to change, in line with the bond rate, how will this change be effected?
- e) Will the 3.5% interest rate be specified in the legislation or subject to periodic determination by the Minister, Treasury or some other agency or individual?
- f) What would happen to the interest rate if there were to be significant fluctuations in the CPI?

#### Answer:

##### *Interest rate*

- a) An analysis of movements in financial market indicators and price inflation was drawn upon. CPI plus 3½ per cent is a reasonable proxy for the average Commonwealth long-term bond rate since the mid-1990s.
- b) Yes.
- c) Historical series for bond yields are published by the Reserve Bank of Australia in its monthly Reserve Bank Bulletin.
- d) The interest rate of 3.5 per cent is fixed.
- e) It will be specified in legislation.
- f) The interest rate of 3.5 per cent will be set in legislation and CPI fluctuations will have no direct bearing on the legislated amount.