

The Treasury

Budget 2013 Information Release

Release Document

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Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

- [1] 6(a) - to prevent prejudice to the security or defence of New Zealand or the international relations of the government
- [2] 6(c) - to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
- [3] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [4] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
- [5] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [6] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [7] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [8] 9(2)(h) - to maintain legal professional privilege
- [9] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [10] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [11] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [12] Not in scope
- [13] 7(b) - to prevent prejudice to relations between any of the Governments of New Zealand, the Cook Islands or Niue
- [14] 9(2)(ba)(i) - to prevent prejudice to the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied.

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, an [4] appearing where information has been withheld in a release document refers to section 9(2)(b)(ii).

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

1 Feb 2013

Response to Treasury on Overseas based borrowers Initiative

What this initiative comprises

The Overseas-based borrowers' initiative (OBBI) is seeking to improve the level of repayments and overall compliance for defaulting student loan borrowers, primarily in Australia and the UK, through a range of interventions.

The focus on this initiative is to improve the overall value of the student loan scheme as the number of borrowers going overseas and into default continues to increase, with current default levels over \$421m as at 31 December 2012.

This initiative commenced in October 2010 as a small scale pilot with a focus on 1,000 overseas-based borrowers in default in Australia. The key objective of the pilot was to test whether, through a range of traditional and commercial recovery approaches, an increase in compliance and repayment rates could be achieved. Commercial approaches, previously untested by Inland Revenue, included utilising private sector providers in a series of tracing and collection studies, as well as online advertising (promoting education information about student loan obligations and new easy to use online payment mechanisms) through Facebook, Stuff and the Herald amongst others.

The pilot proved successful and achieved a Return on Investment (ROI) of over \$5:\$1 within nine months. As a consequence Ministers, and subsequently Cabinet, approved a "scale up" of the original pilot with funding of \$12.44m over a three year period. It was agreed that over 50,000 defaulting borrower cases would be reviewed [6]

The "scaling up" activity includes:

- Tracing and collection activities by Inland Revenue and 3rd party providers – based both out of Australia and the United Kingdom
- Legal activity, including a pilot currently underway in Australia. This is likely to involve the full breadth of legal activities – including securing default debt judgements against borrowers, as well as interventions to further encourage repayment such as garnishee notices, distraint of assets up to and including bankruptcy for the most non-compliant borrowers
- Engaging with online payment intermediaries to expand and develop global payment options for customers. The intention is to engage with enough intermediaries to give customers attractive low cost online payment options wherever they may be globally
- Advertising campaigns through the web and mobile applications. This involves online advertising, as well as Skype and New Zealand Herald's mobile application.
- Information matching with New Zealand Customs to identify borrowers in serious default who are entering New Zealand. The intention will be to obtain their contact details while they are in New Zealand so they can be encouraged to make repayments and get their loans back on track.
- Information matching with the Department of Internal Affairs (DIA) to obtain contact information for defaulting borrowers from the passport renewal process. This will allow us to contact defaulting student loan borrowers by making use of the up to date contact information they would have provided during the passport renewal process with DIA.

These interventions are on-going with a particular focus currently on implementing and developing relationships with 3rd party providers (including online payment intermediaries) and data matches with New Zealand Customs and DIA.

The financial returns achieved to date

[6]

Cumulative returns to 31 December 2012

OBBI	Total cost	Payments received	Return on investment
	\$4.3 million	\$41.7 million	9.7:1

The ROI is reducing from its early peak. Over the last six months we have collected \$14m, an ROI of 8:1. As we continue to roll out the full mix of planned interventions we expect the ROI to level off at a lower, on-going average of 5:1.

What this initiative would comprise if continued indefinitely

If continued this initiative would continue to develop and expand the activities described above, as well as investigate and develop other opportunities to improve compliance. [6],[2]

Are significant returns achievable indefinitely?

It is expected that the initiative will be able to meet a minimum ROI of \$5 collected for every \$1 invested over the forecast period. [7]

Expected returns over the forecast period

Student Loans	2013-14*	2014-15	2015-16	2016-17	Total
payments (\$m)	25.00	25.00	25.00	25.00	100.00
Funding (\$m)	4.85	4.85	4.85	4.85	19.40
ROI	5.15	5.15	5.15	5.15	5.15

*Funding already appropriated for the 2013-14 year.