

**Senate Economics Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Supplementary Budget Estimates, 2 November to 3 November 2005

**Question: SBT 104**

**Topic: Prentice Parbery Barilla**

**Hansard Page: E92**

Senator Sherry asked:

In my question I said the three consultancies totalled \$442,000, but it is a lot more than that, when I add it up. It must be almost a million spent on consultancies. What was Prentice Parbery Barilla—‘provide advice on schemes of arrangement in the HIH Group liquidation’—about?

**Mr Murphy**—I think I know what it is, but I am not certain. I would have to come back to you about that. I do not have the manager for that area with me tonight so I will have to get back to you on that.

Answer:

The consultancies mentioned relate to 3 major components of the work undertaken on the management of the HIH Claims Support Scheme (the Scheme). The Clayton Utz and Watson Wyatt Australia Pty Ltd contracts were for work done to restructure the Scheme. The Trowbridge Deloitte Ltd contract was for the actuarial review of Scheme liabilities which is done each year. The Prentice Parbery Barilla (PPB) contract was for advice on the Schemes of Arrangement proposed by the liquidators of the HIH group of companies to facilitate the liquidation process. Under the conditions of the Scheme applicants assigned their rights in the liquidation to the Commonwealth in exchange for the settlement of eligible claims against a HIH policy of insurance. Consequently, the Commonwealth has become one of the main creditors in the liquidation of the HIH group of companies and as a result it is represented on the Committees of Inspection for the liquidation.

The Schemes of Arrangement were first proposed at the Committees of Inspection meeting on 16 October 2003. The proposal was to be discussed at the Committees of Inspection meeting on 17 December 2003. Since Treasury did not have the expertise in-house to assess the proposal PPB were retained to provide advice on the proposed Schemes of Arrangement. PPB are recognised insolvency experts and had previously been used by Treasury to provide advice on United Medical Protection/Australasian Medical Insurance Limited. Due to the limited time available to obtain advice on the Schemes of Arrangement, and Treasury’s previous experience with the firm, PPD were engaged directly to review the proposal.

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PPB subsequently provided advice on:

- The Commonwealth's position under the proposed Schemes of Arrangement relative to what it would be under the liquidation;
- Whether adopting the proposed Schemes of Arrangement would be in the Commonwealth's best interests; and
- Whether there were any changes to the Schemes of Arrangement that would improve the Commonwealth's position or make the Schemes of Arrangement more acceptable to the Commonwealth.

Based on the advice provided by PPB the Commonwealth agreed to the Schemes of Arrangement. The Committees of Inspection subsequently approved the Schemes of Arrangement at the meeting on 17 December 2003.

PPB were engaged in November 2003. The contract was omitted from the 2003-04 annual report and, consequently, was reported in the 2004-05 annual report.