

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Additional Estimates

26 February 2014

**Question: AET 3160**

**Topic: USA Financial Clause - Chapter 11**

**Hansard Page: Page 30, 26 February 2014**

**Senator Williams asked:**

Mr Medcraft: Exactly. So, it has some elements similar to a prepackaged bankruptcy, but this is not prepackaged; it is supervised by the courts. And, frankly, I believe it is a very good structure. I have always been a supporter of it, because I think it significantly mitigates the loss of value that results from essentially going in and just selling up whole entities. Also, I think it is far less harmful in terms of job losses and general destruction of value. So, certainly I think chapter 11 is a very good system, because it allows a freezing. But the most important thing is that you retain the management. Often we see with companies that the issue is its financial structure, not necessarily its management. And I know from my time as a banker that often the company may be being lumbered with too much leverage or contractual commitments. This gives a chance for that to be sorted out. We can provide the committee with more information about chapter 11.

Senator WILLIAMS: That would be great if you could, please.

**Answer:**

Please see attached:

Annexure Annexure 4 - US Chapter 11 - Overview and comparison with Australian insolvency administrations; and Large Enterprises Report.