



Dear Member

**Guide to Fees from 1 July 1999
(No change to Rates from 1997)**

The National Committee of the IPAA at its meeting on 18 May, 1999 reviewed the attached Guide to Fees which consists of four sections: Guidelines, Explanatory Notes, Guide to Hourly Rates and Experience Classification prospective from 1 July 1999. This review also involved the use of Independent Consultants, Mercer Cullen Egan Dell to advise the relevant factors and inflation indices for the year to 31 March 1999 which showed a range across Australia from low 2.51% for Brisbane to high 4.87% for Perth.

However:

1. Due to the rapid changing face and diversity of the Insolvency Profession, the substantial increase in the number of specialists entering the Voluntary Administration field and the problem of assetless companies, the Independent Consultants and the National Committee are unable any more to justify the statistical validity of a standard weighted average hourly rate that might be computed by independent member survey and then to be applied universally across the board.
2. In a changing market place, fees and rates have become subject to the same commercial considerations as any other professional service and the tendency for Financial Institutions and Secured Creditor appointors to agree to the basis of remuneration with the appointee, further distorts any average computed hourly rate.
3. The implications of GST to the underlying cost structure of individual practices and mix of fee recipients will add even further distortions to any attempts at computing and defending any standard weighted hourly rate compiled by cost survey.

Accordingly:

1. The Guide has only been slightly modified to place greater emphasis when proposing fees on the Guidelines and Explanatory Notes, not the Hourly Rates.
2. Notwithstanding inflationary factors, no uplift adjustment has been made to the existing Guide to Hourly Rates based on 1997 which still remains effective as the last surveyed benchmark and has been reprinted for convenience.
3. Members are encouraged, yet again, to place greater emphasis on their own cost and fee structures and presentation and to start preparing fee resolutions which take into account the effects of inflation on their individual practices and with regard to the GST implications on costs and fees after 1 July 2000.

All Members, Courts, Regulators and interested parties will have been advised of this approach effective 1 July 1999 and have been given copies of this Guide to Fees.

On behalf of the IPAA
National Executive

Sydney, 18 June 1999

Notice to Members of 20 December 1997 reproduced

Dear Member

IPAA Guide to Hourly Rates - December 1997

The IPAA Guide has proved an invaluable guide and benchmark since 1982.

Notwithstanding the imperfections in attempting to create a table of rates reflecting a nonhomogenous industry of quite differing practices, cost structures and assignments, the IPAA has continued with its Guide which has received wide acceptance as the benchmark for rates.

This current update follows the direct survey forming the new base year effective November 1996 and 1997 has been arrived at by the independent consultants, Cullen Egan Dell, applying cost indices for rent and staff costs only to the 1996 survey results and formulae.

Over the last twelve months there have been four areas of enquiry to which creditors, the judiciary and statutory authorities have brought to our attention in a most constructive way.

1. The significant lift in 1996 for Partner rate has been questioned, not just for the rate itself but when it has sometimes been charged for work which should have been conducted by staff at the lower rates; ie the overall time or staff mix has been the problem.
2. The rates for Computer operators and WP operators are calculated to recover the equipment cost and network management. Practitioners should not charge separately.
3. In the Explanatory Notes we have again emphasised the importance of 'Capping' at each approval stage. Practitioners who fail to articulate clearly the basis and timing of their fees may find themselves subject to subsequent challenge.
4. Some Practitioners have used part or all of the expression 'Scale of fees prescribed by the IPAA'. It should be noted that the IPAA does not prescribe fees for appointments. The IPAA offers this Guide as a basis for how fees may be calculated.

With these additional reminders, we believe this update to the Rates effective 1 December 1997, together with Guidelines, Explanatory Notes and Classifications will continue to be valued by members and those seeking guidance on the basis for remuneration.

On behalf of the IPAA
National Executive

Sydney, 20 December 1997

Guide to Fees – 1 July 1999



Explanatory Notes

The Insolvency Practitioners Association of Australia issued its first Recommended Scale in July 1982, subsequently revised in 1991 as the Guide to Hourly Rates and now the Guide to Fees to place more emphasis on the Guidelines not the rate. These Explanatory Notes should be read in conjunction with the attached opening Guidelines.

In insolvency matters, the remuneration is usually dependent upon the manner of appointment and the relevant statutes. It is recognised that in work of this nature, the extent and urgency of the work, the degree of skill required, and the degree of responsibility undertaken can and does vary considerably. It is recognised also that in some cases there is a basis of charge or a procedure provided by appropriate legislation for the determination of the practitioner's fees. It is also recognised that, in some cases, interested parties such as secured creditors favour a method which provides that fees shall be based on a percentage of realisations.

Insolvency work tends to lack the regularity of most general practice and demands the availability of staff with particular skills, often with little or no prior notice. This generally results in the need to have sufficient staff to meet unexpected and sudden assignments and, in consequence, individual charge out rates for this type of work could tend to be higher than they might otherwise be. This is clearly a factor which a firm involved in offering insolvency services would need to recognise in determining fee levels. It is often necessary or desirable to set out the basis of fees and hourly rate in a document of appointment, a resolution of creditors, or in a formal application to a court.

Following the public inquiry conducted in October 1991 by the then Australian Securities Commission (ASC) a guide was issued principally for the use of the Supreme Courts in the various states and territories of Australia, and the Federal Court of Australia where those courts are charged with the responsibility for establishing the remuneration of certain categories of administrators. The guide may also be used by the courts in determining matters brought before them for litigation and from lenders who take security and who seek to enforce that security, persons or corporations which are creditors in a liquidation, and persons who represent creditors on committees of inspection seeking guidance on rates which have had the input of the renamed ASIC and to which appropriate indices have been applied.

Practitioners should recognise that whilst these rates may be used, they are encouraged to negotiate fees with their appointors or with creditors generally, and develop rates which reflect their own particular cost structure. In addition, where members are not practising in a central business district of a capital city and are likely to be on a lower cost structure this should be reflected in the scale of charges they adopt. They should be prepared to substantiate their charges.

It is recognised that, in special cases, alternative methods of calculation, such as percentage of gross receipts, a percentage of funds distributed, a percentage of turnover, a lump sum, or a combination of bases will be warranted. However, the National Committee of this Association recommends the fixation of fees upon a basis of time spent at the classified staff level appropriate to the work performed. See attached Classifications

It is not intended that this guide should operate as a fixation of charges or presented fees for all administrations carried on in all areas of Australia. It is rather a Guide, from which appropriate hourly rates may be approved, and may include a percentage variation, having regard to all the circumstances.

Capping

The resolution for remuneration should show the basis and include a specified amount and where remuneration is approved prospectively an upper limit must be included in the resolution of Creditors or Committee of Inspection. If an amount is not specified or the amount specified is exceeded, it will be necessary to seek approval for a specified amount or for the additional amount, not dissimilar to the Letters of Engagement and Understanding for any other professional appointment.

On behalf of the IPAA
National Executive
Sydney, 18 June 1999

To All Members

Guide to Fees – 1 July 1999

Guidelines

This updated Guide to Fees is recommended by the National Committee of the IPAA to have effect from 1 July 1999 under cover of explanatory Letter to Members dated 18 June 1999.

This Guide continues to consist of four sections in one document:

- Guidelines
- Explanatory Notes
- Guide to Hourly Rates
- Insolvency Experience Classifications

which should not be read or used without reference to the others.

Creditors and Courts are the final arbiter on the quantum of fees charged by a member and our Guide continues to be sent to the various state Supreme Courts, Federal Court and The Australian Securities and Investments Commission for their information. Their regular input to the approach and operation of this Guide has been most helpful.

The Association stresses that the Hourly Rates must not be taken by practitioners as an indication of the rates to be used in every instance. It will clearly be inappropriate for some administrations, and will not be relevant to all staff employed in insolvency offices throughout Australia. Practitioners are encouraged to establish rates which reflect their own cost structures and to apply those rates as and where they are considered appropriate in the application for fixation or approval of fees by Creditors or the Courts.

When calculating an appropriate fee, there should be a careful review of the quality and quantity of work performed ensuring that the staff mix and rate is commensurate with the nature and complexity of work done, taking into account the stress, specialist skills and urgency required to meet deadlines.

The Explanatory Notes and Experience Classifications attached, provide further guidance, and the Hourly Rates should not be detached and used in isolation without reference to overall Guide to Fees.

On behalf of the IPAA
National Executive
Sydney, 18 June 1999



IPAA Guide to Insolvency Experience Rate Classification – 1 July 1999

Principal/Appointee	Registered Liquidator-trustee, Partner bringing his or her specialist skills to the administration or insolvency task.
Director/Consultant	Minimum of twelve years insolvency experience, at least five years at manager level, qualified accountant and capable of controlling all aspects of an administration. May be appropriately qualified to take appointments in his/her own right.
Manager 1	More than 7 years' insolvency experience, more than 3 years as a manager, qualified accountant. Answerable to the appointee but otherwise responsible for all aspects of administration. Experienced at all levels and considered very competent. Control staff and their training.
Manager 2	6-7 years, qualified accountant, with well-developed technical and commercial skills. Should be constantly alert to opportunities to meet clients' needs and to improve the clients' future operation either by revenue enhancement or by reducing costs and improving efficiency. Controls 2-4 staff.
Supervisor	4-6 years. Professional Year (PY) complete. Will have had conduct of minor administrations and experience in control of 1-3 staff. Assists planning and control of medium to larger jobs.
Senior 1	2-4years. PY (or equivalent) would normally be completed within this period. Assists planning and control of small to medium sized jobs as well as performing some of the more difficult work on larger jobs.
Senior 2	1-2 years. PY (or equivalent) would normally be commenced during this period. Required to control the fieldwork on small jobs and is responsible for assisting complete fieldwork on medium to large jobs.
Intermediate 1	0-2 years. Graduate with little or no professional experience. Required to assist in day-to-day fieldwork under supervision of more senior staff.
Intermediate 2	0-1 year. Trainee undertaking a degree with an accountancy major. Required to assist in day-to-day fieldwork under supervision of more senior staff.
Secretary/WPO	Appropriate skills including machine usage
Computer Operator	Appropriate skills including machine usage
Clerk	Non-qualified but passed the HSC. Classification would depend on experience, salary and complexity of work to be conducted.
Typist	Appropriate skills
Junior	HSC. Plans to undertake at least part-time degree/diploma. Required to assist in administration and day-to-day fieldwork under supervision of more senior staff.

The Classifications above do not cover professional staff who are unqualified and not studying to become qualified as accountants. The Association recognises that in this latter category there are some people who are highly skilled. The National Committee believes it is not possible to give a description which will adequately cover all situations. Practitioners should therefore decide what is the relative charge-out rate and be prepared to justify that decision.

To be read with reference to Letter to Members, Guidelines, Explanatory Notes and Rates, dated 18 June 1999



Guide to Fees – 1 July 1999 – Guide to Hourly Rates

	Sydney	NSW other	Melbourne	Vic. other	Brisbane	Qld. other	Perth	Adelaide	Canberra	Tasmania	Northern Territory
Partner	377	354	359	345	346	334	344	330	359	316	316
Director	296	275	282	274	240	232	252	224	282	248	248
Manager 1	242	225	231	225	218	211	225	208	225	204	204
Manager 2	183	171	174	170	173	168	172	166	171	155	155
+Supervisor	154	143	143	140	141	137	141	140	144	130	130
Senior 1	137	127	128	124	127	121	126	126	127	116	116
Senior 2	112	105	104	101	102	98	104	102	105	95	95
Intermediate 1	95	88	88	85	88	86	88	88	88	80	80
Intermediate 2	89	83	82	80	83	81	82	82	82	76	76
Secretary/wpo	97	90	89	87	88	84	87	87	90	81	81
Computer Operator	89	82	85	82	83	80	82	82	82	75	75
Clerk	75	70	70	68	66	64	66	66	71	64	64
Typist	65	60	61	59	61	60	61	61	61	54	54
Junior	49	47	46	44	46	44	45	45	44	39	39

This Guide to Hourly Rates should not be used or copied without specific reference to the attached Guidelines, Explanatory Notes and Experience Classifications.