**16 July 2026**

**The Productivity Commission**

**Inquiry into Australia's Insolvency System**

Dear Commissioners,

# AIIP Submission – Productivity Commission Inquiry into Australia's Insolvency System

The Association of Independent Insolvency Practitioners Limited (AIIP) welcomes the opportunity to provide this submission to the Productivity Commission's Inquiry into Australia's Insolvency System.

AIIP represents a national network of experienced independent registered liquidators, bankruptcy trustees, restructuring practitioners and insolvency professionals who undertake a significant proportion of small and medium enterprise (SME) insolvency, restructuring and advisory appointments throughout Australia.

Having carefully reviewed the comprehensive submission lodged by the Australian Restructuring Insolvency and Turnaround Association (ARITA), AIIP wishes to record its broad support for the recommendations contained in that submission.

In our view, ARITA has undertaken a detailed and thoughtful analysis of the current insolvency framework and has identified many of the structural, legislative and practical reforms necessary to improve Australia's insolvency system. Rather than duplicate that work, AIIP endorses the majority of ARITA's recommendations and commends the submission to the Commission.

AIIP nevertheless considers it appropriate to draw particular attention to several additional matters which arise from the day-to-day experience of independent insolvency practitioners, particularly those operating in the SME sector.

## 1. Artificial Intelligence and the Future of Insolvency Practice

AIIP believes the insolvency profession is entering a period of significant technological change.

Artificial Intelligence has the potential to fundamentally improve productivity across the insolvency profession by reducing compliance costs, improving investigative capability and enabling earlier identification of financially distressed businesses.

Potential applications include:

- business health monitoring and early intervention;
- financial forecasting and viability assessments;
- automated document review and analysis;
- forensic accounting and transaction analysis;
- asset tracing and investigations;

- compliance reporting; and
- litigation support.

Government and regulators should actively encourage the responsible adoption of AI technologies across the insolvency profession to improve efficiency while maintaining appropriate professional standards.

## 2. Earlier Intervention Through Business Health Checks

Too many Australian businesses seek professional advice only after their financial position has deteriorated beyond recovery.

AIIP encourages Government to explore AI-assisted business health monitoring systems capable of identifying early indicators of financial distress, including deteriorating cash flow, increasing taxation liabilities and declining liquidity.

Earlier intervention would significantly improve restructuring opportunities, preserve employment and ultimately reduce the economic cost of business failure.

## 3. Director Education

Many SME failures arise not through dishonesty but through a lack of understanding of directors' legal and financial obligations.

AIIP supports consideration being given to introducing a basic education program for new company directors covering:

- directors' statutory duties;
- understanding financial statements;
- taxation obligations;
- employment obligations;
- cash flow management; and
- recognising early warning signs of insolvency.

Accounting is the language of business. Improving financial literacy amongst directors would significantly reduce avoidable business failures.

## 4. Registration of Insolvency Practitioners

AIIP believes the current registration requirements should be reviewed.

While practical experience remains essential, the current requirement for 4,000 hours of insolvency experience does not always reflect the quality, complexity or breadth of an applicant's experience.

A competency-based assessment model, focused on demonstrated capability and experience across a range of appointment types, may better achieve the objectives of maintaining professional standards while encouraging the next generation of insolvency practitioners.

## 5. Reform of Unfair Preference Laws

AIIP supports reform of the unfair preference regime to provide greater protection for creditors who continue to support financially distressed businesses in good faith.

The current legislation can discourage suppliers from continuing to trade with struggling businesses, even where that support may ultimately facilitate a successful restructuring.

Consideration should be given to expanding available statutory defences where creditors have acted honestly, provided ongoing commercial support and had no reasonable basis for suspecting insolvency.

## 6. Funding Public Interest Investigations

AIIP supports ARITA's recommendation for an expanded Public Interest Administration Fund.

In addition, AIIP considers that Government should continue to examine alternative models, including a Public Liquidator or similar publicly funded mechanism capable of administering assetless companies where significant public interest issues, suspected misconduct or recovery actions warrant investigation.

Independent practitioners frequently decline appointments where there are insufficient assets to fund even basic statutory investigations. This weakens enforcement and diminishes public confidence in the insolvency system.

## 7. Independent Practitioners and the SME Economy

Independent insolvency practitioners undertake a substantial proportion of Australia's SME restructuring and insolvency appointments.

Their experience provides valuable insight into:

- the practical operation of the Small Business Restructuring regime;
- challenges encountered by family-owned businesses;
- regional economic issues;
- barriers to early restructuring; and
- the practical impact of regulatory complexity on businesses and creditors.

Policy reform should continue to recognise the important contribution independent practitioners make in supporting business recovery, preserving employment and ensuring confidence in Australia's insolvency framework.

## Conclusion

Australia's insolvency framework plays a critical role in maintaining confidence in the economy by facilitating business rescue where possible and ensuring the orderly winding up of businesses where recovery is no longer viable.

AIIP believes the Productivity Commission has a significant opportunity to modernise Australia's insolvency system by reducing unnecessary regulatory complexity, encouraging earlier intervention, supporting technological innovation and improving the efficiency and accessibility of insolvency processes.

AIIP again expresses its strong support for the comprehensive submission lodged by ARITA and respectfully asks the Commission to consider the additional recommendations contained in this submission as complementary reforms drawn from the practical experience of independent insolvency practitioners throughout Australia.

We would welcome the opportunity to discuss these matters further with the Commission or to participate in any future consultation process.

Yours faithfully,

**John Morgan**
President
**Association of Independent Insolvency Practitioners Limited**