AECI NEWS

Association Of Electrical Contractors (Ireland)

The voice of the electrical contracting industry

March/April 2009

AECI ANNUAL GENERAL MEETING

7th MARCH 2009 at Maldron Hotel, Portlaoise.

AGM was held at Maldron Hotel, Portlaoise on the 7th March 2009.

New Committee was elected: Jack Hegarty - President, Brian Flanagan - Vice President, Mattie Ryan - Honorary Treasurer, Michael Mangan - Honorary Secretary, Gerry Goggin - Trustee, William Ahern - Trustee, Shaun McDermott - Trustee, Council Members: Dermot McClannon, Shelagh Ennis-Lamb, Damien McGrath and Brian Hickey.

Many issues were discussed and debated i.e. restructuring of the REA (Register Employment Agreement) Sub Committee to be formed. Obviously with the present poor economic climate the issue of rates of pay etc. for electricians was aired and will come under scrutiny during the examination of the REA. Competitiveness among Electrical Contractors tendering for work is also a major issue and the battle between compliant and non compliant Contractors again raises it's head.

The incoming Committee has a major job in hand but the hard work will reap the benefit when our economy improves, as it will, however, like all organisations finance is a key issue and funds are greatly needed, so to this end, AECI requires outstanding subscription for 2009 be paid, to support the ongoing task.

Michael Mangan (Honorary Secretary), Jack Hegarty (President), Dermot McClennon, Mattie Ryan (Honorary Treasurer), Chris Lundy (Executive Secretary)

REA

(REGISTER EMPLOYMENT AGREEMENT)

As per our previous correspondence with our Members a Sub Committee has been formed to review the existing REA (as instructed by Labour Court).

The first meeting took place in Celbridge, Co. Kildare on the 15th April 2009 and a 1st draft document is due for reviews in the coming days.

We would like to thank you, our Members, for your valued comments relating to the REA.

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Inside this issue

From the left: Guy Percival (Arachas), Chris Lundy (Executive Secretary), George Frisby (FM Accountants), Brian Flanagan (Vice President), Jack Hegarty (President), Mattie Ryan (Honorary Treasurer), Michael Mangan (Honorary Secretary).

TRADE SHOW/CONFERENCE 2009

A reminder of our Trade Show which will help our funding is now set for the 12th September 2009 at Silver Spring Moran Hotel in Cork and golf outing on Friday the 11th September 2009.
We look forward to seeing all our Exhibitors, Suppliers and Members supporting this event.

UNFAIR DISMISSALS ACT 1977 (NO. 10)

(extract from full document)

Dismissal during probation or training.

(1) Except in so far as any provision of this Act otherwise provides this Act shall not apply in relation to the dismissal of an employee during a period starting with the commencement of the employment when he is on probation or undergoing training-

(a) if his contract of employment is in writing, the duration of the probation or training is 1 year or less and is specified in the contract, or

(b) if his contract of employment was made before the commencement of this Act and was not in writing and the duration of the probation or training is 1 year or less.

(2) This Act shall not apply in relation to the dismissal of an employee during a period starting with the commencement of the employment when he is undergoing training for the purpose of becoming qualified or registered, as the case may be, as a nurse, pharmacist, health inspector, medical laboratory technician, occupational therapist, physiotherapist, speech therapist, radiographer or social worker.

Dismissal during apprenticeship.

Except in so far as any provision of this Act otherwise provides this Act shall not apply in relation to the dismissal of a person who is or was employed under a statutory apprenticeship if the dismissal takes place within 6 months after the commencement of the apprenticeship or within 1 month after the completion of the apprenticeship.

LATE PAYMENTS CAUSING SMALL BUSINESS CLOSURES

- **Small Business waiting 68 days average for payment, the longest period on record.**
- **Big business and State sector main culprits in late payments.**
- **Current prompt payment legislation useless.**
- **55% of small companies waiting longer for payment compared to last year.**
- **39% of companies experiencing payment delays of over three months.**
- **ISME calls on the Government to introduce mandatory credit terms of 30 days as was initially intended by the Prompt Payment Legislation.**

ISME, the Irish Small & Medium Enterprises Association, has warned that late payments to small and medium businesses are imposing serious financial constraints, which in many instances are leading to insolvency and close down. The main culprits are big business and the state sector who are delaying payments to their smaller suppliers. This situation has occurred despite legislation being in place for six years, supposedly to alleviate the situation.
The ISME Credit Watch Survey was carried out in the second week of December and had in excess of 600 respondents from the Small & Medium sector.

The research confirms:

- **Actual average payment period in Ireland for SMEs is longest on record at 68 days, a deterioration from the 62 days at the same time last year.**
- **A massive 55% of small companies are waiting longer for payment than the corresponding period last year; the highest figure ever recorded. The corresponding figures '06 and '07 were 9% and 23% respectively.**
- **Less than one in four (23%) companies is being paid within 30 days.**
- **28% are experiencing delays of 90 days, with 11% waiting over 120 days. The corresponding figures for December 2007 were 26% and 4% respectively.**
- **Leinster companies are collecting faster than the rest of the country at 63 days.**
- **Businesses in Ulster are finding it more difficult to collect money than last year, at 78 days.**
- **62% of firms in the greater Dublin area stated that they are waiting longer for payment than last year.**
- **SMEs are on average owed twice as much trade credit as they themselves owe to larger businesses.**

Commenting on the survey results, ISME Chief Executive Mark Fielding stated, "Once again, at a time when the small business sector is so vulnerable and struggling to survive, accountancy-led big business and state organizations are withholding payments, and thereby boosting their own cash flow, to the detriment of the weaker player. There is no doubt there is an endemic abuse of dominant position by larger businesses and many small businesses are going to the wall because of cash shortages due to these delayed payments".

Small companies are still being forced by accountancy led big businesses to accept credit terms longer than those outlined in the legislation for purchases from SMEs. State bodies are also abusing their position in demanding the reissuing of invoices, months late, to cover their failure to pay on time and avoid reporting requirements on late payment. These same large companies insist on adhering to the 30 day rule for payment for their own sales and services creating a double bind for small companies who are only in a position to make payment once they themselves have been paid.
This amounts to an 'interest free loan' which SMEs are obliged to give to their much larger and economically stronger customers. The result of this is that the smaller businesses have to seek increased facilities from their banks who are not releasing funds and so businesses are closing down, no due to lack of profits, but lack of cash".
Compared to 12 month ago, 55% of small businesses are waiting longer for payment, with the average payment period being 68 days, among the highest in Europe. 39% of companies now have to wait over 90 days to be paid. The situation is continuously deteriorating and banks are, in many instances, refusing to extend credit limits on overdrafts to assist cash-flow. "The fact that so many companies are being forced to wait longer for payment shows that the six year old legislation is useless and should be amended as small businesses continue to be squeezed by their larger counterparts," continued Fielding.

The Association called on the Government to introduce:

- **A mandatory payment period, whereby all companies, regardless of size, would be guaranteed payment within 30 days from the end of month of invoice or delivery, as was initially intended by the legislation, with no exceptions.**
- **A mechanism along the lines of the existing small claims court structure to settle business to business disputes as they arise and to prevent further abuse of the small business sector.**

"This will stop the abuse of dominance by large business, allow all businesses to predict their cash flow and introduce a level playing field for all credit transactions. Just as important, it will show that the Government is serious about assisting small business and not continuing their impotent lip service to the sector", Fielding concluded.

Do They Impact On Your Business?

The purpose of this article is to examine the impact of some aspects of the new VAT on Property legislation introduced with effect from 1st July 2008. Developers and Landlords should carefully consider their obligations under the new legislation to ensure that they are compliant with the new rules, and benefit from transitional arrangements.

Developers – residential property completed pre 1st July 2008

There has been some confusion in relation to the application of the new VAT on property rules for lettings of residential property by developers. The legislation provides for different tax treatment depending on whether a building was "completed" before 1st July 2008 or on or after 1st July 2008.

The term "Completed" as it refers to the new VAT on property rules is defined in VAT legislation. A property is completed when it is ready to be used for the purposes for which the property was designed and the utility services required for those purposes are connected to the property.

Where a developer had completed construction of a residential property before 1st July 2008 but has let it for the first time after 1st July 2008 there is a full claw-back of the VAT deducted by the developer. The Revenue Commissioners have clarified that in certain circumstances they are prepared to accept that a property may be regarded as not having been completed until it has been rented.

Developers – residential property completed post 1st July 2008.

Where a developer had completed construction of a residential property after 1st July 2008 no immediate claw-back occurs. Under the new rules there is only a 5% claw-back at the end of the initial interval i.e. twelve months from the initial letting.

The Revenue clarification represents a significant cash flow advantage for the developer as under the old rules the full amount of VAT incurred on the residential property, which is let, is clawed back. In both cases, the sale is subject to VAT on the full consideration received regardless of the length of time the property has been let.

Landlords – Lettings to Connected Parties

The new VAT on Property legislation has introduced connected party rules for lettings of property.

Since 1st July 2008 the letting of property is exempt from VAT incurred on the acquisition or development of the property, which is subject to the letting. A landlord may, upon agreement with the tenant, opt to charge VAT @ 21.5% on the letting. A landlord who does so is entitled to deduct VAT incurred on the acquisition or development of the property. However there are restrictions as to the circumstances where a landlord may do so.

There are restrictions on the option to tax rents. The option to tax cannot apply where:

1. The property is occupied for residential purposes.

2. Where the letting is between connected persons except where the tenant is entitled to deduct at least 90% of the VAT chargeable on the rent.

3. Where the property is occupied as distinct from let by a person who is connected with the landlord.

Under the old waiver rules, a waiver applied to all short-term lettings (period of less than ten years) of the landlord. This is not the case with the option to tax. It may well be that a landlord may op to tax a letting of part of a building while making an exempt letting of the rest of the building.

Where a waiver of exemption was in place pre 1st July 2008 and there was a short term letting of property between connected parties in place at 1st July 2008, the letting is deemed to be cancelled and the landlord will be liable for a claw-back of VAT.

However if the tenant is entitled to deduct at least 90% of the VAT charged on the letting, then the waiver will not be cancelled but will continue for the duration of that letting for as long as the tenant has at least 90% deductibility.

Landlords – Existing Short Term Lettings

Prior to the introduction of the new VAT legislation a short term letting was defined as a letting for a period less than ten years. Landlords with short term leases in place at 1st July 2008 should review their obligations under the new VAT on property legislation, prior to the expiry of these leases to ensure compliance with VAT legislation going forward. In some instances it may be necessary for the landlord an tenant to jointly opt to tax a letting i.e. charge VAT @ 21.5% on the rent, after the expiry of the current lease.

Specific VAT advices should be obtained in relation to all property transactions.

COLLECTION

Making a Collection Call

1. Before you make a collection call, take a few minutes to prepare yourself and to plan the call. Time taken in preparation is an investment, not a waste. Make sure that you have all the information you need and that anything you may want to refer to is at hand = a good credit system will provide system will provide the information.

2. Recognise that there are always three limiting factors in a telephone call, compared with a face-to-face discussion, and that careful planning is necessary to overcome them.

a) Time - Face-to-face, you will take as long as may reasonably be necessary. On the telephone, you will usually restrict yourself to just a few minutes.

b) Senses - Face-to-face, you will use your hands, to aid description and show things to the person you are talking to. On the telephone, your whole communication has to involve only the sense of hearing. You need to use your powers of description to the full.

c) Reaction - Face-to-face, you instinctively look at the person you are talking to and judge the reaction to what you are saying. On the telephone, being unable to do this, you must train yourself:-

(i) to simulate reaction, by asking questions

(ii) to listen actively to what is said

3.Bearing these limitations in mind, ask yourself:-

Who am I calling?

What is his/her name? What is his/her job title?

What is his/her company?

What should I know about his/her company?

How long are they overdue?

Why am I calling? What is the purpose of the call?

What do I wish to achieve?

How to obtain a commitment?

What action should be taken?

What time limit should I set?

The telephone is the best way of reaching people quickly, particularly in a cash collection context. The difficulty is that it has limitations, frequently resulting in wasted time and effort.For example, when we make an outgoing cash collection call, the following situations arise all too easily:

We are often left holding for a time, frequently minutes; when finally we get through, the person we require is unavailable; we explain our situation to the wrong person, and end up repeating our story to someone else; the person we call is not aware of or doesn't understand the problem; we don't understand the problem; more than one person in the customer company is involved on the account. And so on; the list can be endless.

Imagine a situation where you make 30 cash collection telephone calls per day, each lasting on average five minutes. If you could shorten the length of each call by one minute you would save 30 minutes per day. That means by the end of a working week you could save 2.5 hours. In a working year you would save almost 15 days. That is an objective well worth pursuing.

There are a number of steps that will help to achieve this objective. They are as follows:-

Preparation:

Ensure you understand the situation thoroughly from both your point of view and the customer's.

Talk to others within your organisation (eg. sales people) if you suspect a query that cannot be resolved easily, in order to get a clear picture from the customers point of view. Remember, in the end it is the customer who will solve your cash collection problem for you.

Getting Through:

This is the biggest time waster of all. Try to learn the time of day when the customer is most likely to be available. Ask questions such as: "When is the best time to call you?" Make sure you are talking to the right person; ask questions such as; "Can you help me with regard to this outstanding invoice?" If you persistently have trouble with a customer who will not take your calls, write a letter and then follow it up with a call. When through to the switchboard in the customer company, instead of saying "it's about payment of an account" say "it's about a letter I have written." By the way, ensure you have the correct person's name and business title in full for follow up and good communication purposes!

The Approach:

Never be hostile; always adopt a friendly reasonable attitude. Most people are reasonable (even customers!) if they are approached in the right way. If you can get the customer in the right frame of mind he/she will want to solve the problem just as much as you, provided you are reasonable.

Discussion/Excuses:

Again, be reasonable. Ask questions if you don't understand the customer's problem: I'm sorry, I don't understand how you didn't get the full order. Maybe you could explain to me what happened at your end". Or: "Maybe you could put me on to the person who checked the order in at your end". Deal with excuses as if they were genuine. When you know you are dealing with a reason for non-payment which is not genuine, you can say; "apart from that, is there any other reason for non-payment?"

The Promise:

Always secure a definite commitment from your customer: a commitment to check into a query by a certain time; a commitment to pay by a certain date; a commitment to let you have part payment on the account immediately. Also, you must make definite promises and keep them. Not "I'll look into in for you and get back to you", but "I'm going to check your query which is... and telephone you back at 3:30 this afternoon. Will you be able to take a call from me at that time?"

Records/Follow up:

If you do not keep accurate records of what you do you will not remember. You will then appear unprofessional and uninformed to your customer and he/she will use that to take extra credit and give you even more excuses. You cannot expect your customer to deal with your account in a businesslike way unless you are businesslike. Record details of customer conversations and operate a diary accurately. **Always follow up!**

A PRACTICAL GUIDE TO MANAGING YOUR BUSINESS IN A DOWNTURN

A 10 point readiness check

The credit crunch is beginning to squeeze entrepreneurial businesses. Negative growth, weakened demand and reduced lending by the banks is compounding an already difficult situation in which commodity prices are rising rapidly. While some regions and sectors are proving more resilient than others, it is sensible to analyse your own business environment and to take decisive remedial action.

No doubt your plans for managing your business effectively through the downturn are already in play. However, our 10-point check provides a quick reminder of some of the areas to consider to improve your readiness and even turn conditions to your advantage.

Most of our tips and recommendations are essentially about good business practice. Management teams often forget to do the basics when the focus is on growth, but that emphasis needs to change. The coming months should be about instilling the right discipline in the business.

Entrepreneurial businesses that are well structured and well managed will see opportunity in uncertainty. By doing the right things quickly and decisively, you might even turn the crisis on its head.

01 CASH IS KING

"If you still have cash on the balance sheet, you've always got options and will have a greater degree of flexibility in your decision making." ***Paul Raleigh,*** *Managing Partner*

What's the issue?

The old adage stands – turnover is vanity, profit is sanity and cash is reality. In a tough market, it's probable that everything will slow down. Debtors pay less quickly, turnover may fall, cash from profits reduces and your bank may be less inclined to lend. In short, cash is limited. This differs greatly from the recent experience of most Irish businesses. During the Celtic Tiger period many businesses did not keep such a close eye on their cash position, because they didn't have to. The critical issue in the near-term will relate to your ability to conserve and control cash, and management needs to be relentless in its attention to this.

What can you do?

• Undertake a critical analysis of the business at this point. Establish what the short-term cash requirements are and then forecast longerterm cash flows based on credible and realistic financial information. If you can't produce this from your own management information, you should consider bringing in outside help. You need to get underneath the first layer of information to reveal the true picture.

• To generate cash more quickly, negotiate credit terms with suppliers that are as long as possible, and negotiate terms with your customers that are as short as possible.

• Focus strongly on the key metrics, such as debtor days and creditor days.

• Manage your stock cycles as efficiently as possible. Employ just-in-time stock replacement to keep levels to a minimum and clear out old stock to generate cash. In the short-term, profit may need to be sacrificed in order to generate cash.

• You could increase prices to increase profits (albeit with reduced volumes), which in turn should reduce your working capital requirements and hence cash usage. However, this needs to be judiciously operated with a keen eye on price elasticity. If you lose all your sales, you have no business.

What to avoid?

You might need to scrutinise the prospect of securing significant new contracts in a different light. While some contracts may appear to be low hanging fruit, you need to be mindful of their potential impact on your working capital cycle and working practices.

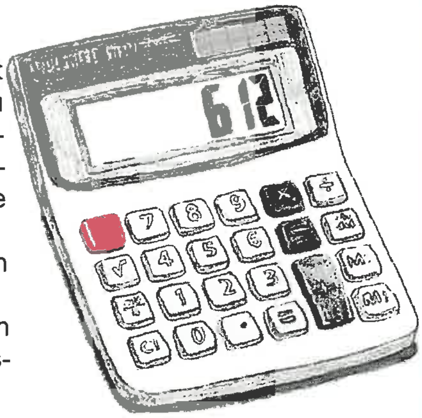
"Before taking on new customers, check their credit worthiness and strictly adhere to credit terms by chasing payments. Resolve issues on any invoices very quickly, as these can cause unwanted delays." ***Paul McCann,*** *Specialist Advisory Services Partner*

02 GET CLOSER TO YOUR BANK

"Cash flows and confidence are key in this market when dealing with your bank. Prepare your business plan and future cash flows diligently and deal proactively with your bank manager." ***Michael Neary****, Corporate Finance Partner*

What's the issue?
The banks are facing a tough time too. They may be more cautious and concerned with bad debt, so will need greater persuasion to lend you more money if you need it. In many areas, new lending will be severely restricted and you may struggle to re-finance existing facilities. The banks will focus increasingly on the quality of their loan book, and their key concern will be loan recoverability.

What can you do?
Treat your banker as a partner in the business. Keep them fully informed of what is going on and the decisions you are taking, and give them lots of notice if you need help. Banks only make money by lending money – they want you to prosper so they can continue to lend money to you. Proactively manage your relationship with them. The last thing a bank wants is to receive one week's notice that you need to double your overdraft facility.



If you do need to go back to the bank, discuss this with your advisers. Draw on their knowledge and independence to improve the credibility of your plans.
If you are looking to re-finance, also consider alternative sources of finance. An asset-based lender may enable you to leverage more funds out of existing assets. Invoice discounting or debtor factoring are options to increase cash flow.

What to avoid?
Don't fall into the trap of thinking that it is up to the bank to guide you through any issues or problems. If you talk to your bank early enough, they may work through the problem with you, but be very clear that the ultimate responsibility for resolving any issues falls squarely on management's shoulders.

03 BE RELENTLESS ON COST CONTROL

What's the issue?
You will want to at least maintain your current level of profits, which will almost certainly require you to cut costs. In the good times, costs can escalate with little challenge. Tougher conditions will require much more focused cost management.

What can you do?
There is a natural tendency to look at costs from a top-down approach, but a bottom-up approach may be best. Employ zero-based budgeting to review all costs very carefully in terms of their value to the business. What costs do you actually need to run your business? Leave no stone unturned and review every commitment. Some will be difficult to flex in the short-term, but others may offer scope for savings. Carefully consider two major areas of cost: tax and people (see points 05 and 09).Take the opportunity where possible to renegotiate lease terms and capital equipment utilisation. Make the tough decisions before you have to. Pay attention to variable costs too, including reviewing of raw material and consumables costs. Spot markets rise at times of cancelled contracts, which can add significantly to the bottom line in many industries.

Take steps to guarantee supply though so that when the market opportunity comes you are able to respond.

What to avoid?
Do not automatically cut marketing expenditure. While this is traditionally seen as easy to cut, doing so can have a significant impact on your competitive position, especially when market conditions begin to pick up. There is still a lot of business to be won in a downturn and it becomes a matter of having to try harder to grab the opportunities that are out there.

"Look hard at discretionary spend, and investigate areas such as travel, general expenses, hospitality and entertaining."
Aidan Connaughton*, Audit Partner*

04 RE-VISIT YOUR STRATEGY

What's the issue?

Tough trading conditions will demand a clear strategy, combined with focused and relentless management to implement that strategy. When market conditions change rapidly, you can't assume that your existing product and market strategy will continue to be successful. Changing market conditions can often be a catalyst for revisiting difficult strategic decisions. This is not the time for your strategy to drift off course, but equally you may need to stop and think, and take a fresh look at your business.

What can you do?

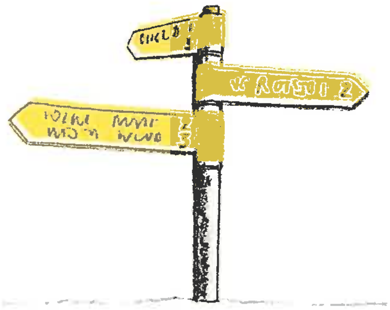
You need a crystal clear understanding of your core capabilities, the strengths of the business and where your best opportunities exist. This clarity of focus will enhance your ability to take advantage of opportunities as they emerge. Having the right business model to go forward may require the disposal of non-core assets and business streams. Non-core business streams can consume much needed working capital and the sale of non core assets will also generate cash. Combine available market research with existing financial information on year-on-year performance and comparisons with budget. Determine which product lines, sectors and customers are likely to put pressure on your profitability, and which present the better tactical opportunities in the short-term. There is no better time to review business performance in this way, as it will help you to focus your resources more effectively. If you have liquidity or access to investment funds, look at acquiring assets, expertise or a local competitor. In uncertain times, trade barriers can retrench or relax depending upon the government, creating new opportunities that you may have discounted previously. Similarly, shifts in the currency markets can quickly create a better environment for exports.

What to avoid?

Don't throw the baby out with the bathwater.Yes, it is important to test assumptions and revisit strategy but don't feel you need to change the whole business model overnight. If your strategy is a good one, hold your nerve, manage effectively and keep the faith.

"To be one of the successful businesses in these difficult times you need to adapt quickly to the changing environment and change direction, perhaps to a substantial extent, rather than merely react to events as they unfold."
***Tony O'Brien**, Head of Business Consulting*

05 GET SMARTER ON TAX



"Ensure that you are aware of the opportunities available to reduce your tax s liabilities. The benefits of this are twofold: reduced tax liabilities and improved cash flow." ***Frank Walsh**, Partner*

What's the issue?

Tax, in its various forms, is usually one of the biggest overheads in the business and you need to look carefully at how to manage that cost and the cash flows.

What can you do?

A downturn in the economy does not mean all is lost. It provides the perfect platform to reorganise assets and investments to secure future advantage.

Asset portfolios

• dispose of assets and crystallise losses; • beware of connected party rules for offsetting losses; and
• transfer assets to children while values are low and transfer taxes are comparatively low.

Utilisation of losses

Current year trading losses are firstly carried back to the prior period to be utilised against trading profits. Any excess losses can be set against other income and chargeable gains arising in the same period. In light of the economic downturn, companies should review the carrying value of their trading stock e.g. land. Any write down should be tax deductible. This should reduce the corporation tax liability for the current year and, depending on the circumstances, may result in a tax refund for the previous year.

Change of year-end

A change of year-end can be useful in group situations. Companies can shorten or lengthen their accounting period (subject to company law) to maximise the amount of losses being transferred from one company to another. Only contemporaneous losses can be surrendered and claims are limited to profits of a corresponding period. Where accounting periods are shortened, payment of tax liabilities may be accelerated. For seasonal businesses, it can be beneficial to choose a year-end date just before a seasonal surge in income and profitability. This gives the maximum delay between earning the profits and paying the tax.

Early filing

If you are due a refund of tax e.g. over-payment of preliminary tax, you should look to file a tax return as soon as possible in order to obtain the refund at the earliest possible opportunity. Effectively this is an interest free loan to the Revenue Commissioners. Relief for bad debts is given for tax purposes where it is shown to the satisfaction of the Inspector of Taxes that the debt is bad. A deduction is also available for doubtful debts to the extent that they are estimated to be bad i.e. a specific bad debt provision. Claims in respect of bad debts are made when filing the relevant corporation tax return. A VAT refund in respect of a bad debt can be claimed where it can be demonstrated that the debt is not recoverable.

Cash flow saving – review basis of VAT payments
Under the invoice basis of accounting for VAT one must pay over VAT for the VAT period in which the invoice is raised. Under the cash receipts basis, one does not account for VAT until receipt of payment for the goods and services supplied. In a time where there is a longer delay in invoices being paid companies may consider changing to a cash receipts basis (subject to application to Revenue Commissioners).

The cash receipts basis applies where:

• Annual turnover does not exceed or is not likely to exceed €1,000,000.

• Supplies of goods or services are at least 90% made to unregistered persons or to persons who are not entitled to claim a full deduction of the tax chargeable on the supply to them.

What to avoid?
The last thing that you should do is fall behind with your tax payments and compliance requirements. Substantial interest charges and other penalties can be applied in the event of late submission of tax returns and late payments of tax.

06 SANITY CHECK NEW INVESTMENT PLANS

"Consider carrying out cost benefit analysis on new asset investments. Such decisions should be based on the level of expected return. This is particularly pertinent when investment opportunities are competing for scarce resources."

Patrick Burke, *Partner*

What's the issue?
Investing in new assets in a downturn can bleed you of cash when you need it most. Carefully consider your investment plans, and question the proposed value and timing.

What can you do?
If it isn't business critical, consider deferring it. For a business critical asset, negotiate hard to acquire on favourable terms. But don't use all the cash – try to borrow.

What to avoid?
It used to be said that if there was a fountain in reception and a flagpole outside you were due to go bust. Avoid investing profits in status symbols.

07 KEEP AN EYE OUT FOR BARGAINS

What's the issue?
The mid-market is still fuelling M&A activity. Our experience over recent months has been that while the larger deals may be drying up, ambitious and well-funded companies continue to see the value of strategic acquisitions and are picking up bargains to supplement organic growth. An increasing number of private companies with access to funding see huge opportunities for expansion in the current climate. It is likely that there will still be funding available for the right proposition.

What can you do?
Be alert to opportunities where business valuations are dropping and where business owners are looking for quick exits rather than trading through a more difficult economic period. Take professional advice to ensure that any acquisitions are properly assessed and aligned to your strategic plans going forward.

What to avoid?
This is not the time to become distracted. Remain absolutely focused on the day-to-day running of the business. Be mindful of debt capacity and don't overstretch yourself.

08 ALIGN PERFORMANCE AND REWARDS

What's the issue?
Align your people. Motivation can take a hammering when business is lean. Once you've defined your key objectives out of strategic planning and zero-based budgeting exercises, you need to make sure that staff understand your approach. Ensure your strategy is communicated and repeat it often. Align every aspect of staff reward to achievement of your goals.

What can you do?
Think about the behaviours you want to encourage. Consider the 'golden thread' running from strategic objectives right down to individual objectives and remuneration. Think about rewarding sales teams based on profit per unit or speed of cash flows rather than simply on units sold. Alternatively, consider paying onuses once minimum profits and minimum cash flows have been achieved.

What to avoid?
If you have a bonus culture, and the cash simply isn't there to make bonus payments, you can't put your head in the sand. You have to be completely transparent and communicate effectively to explain the position. Consider alternatives, such as a deferred share arrangement to encourage staff to stick with you through the downturn.

09 RIGHT SIZE

What's the issue?
Regrettably, as the major cost to most entrepreneurial businesses is labour, it is likely cuts will have to be made. This is never an easy thing to do, and it's important to do it as objectively as possible.
What can you do?
A zero-based budgeting exercise will give you a strong steer as to what you need and at what level to support your strategic direction. Carefully consider the skills, commitment and capability you will need. Communicate well, retain integrity through the process but move quickly. Re-invigorate and re-motivate those that are left. Lock in your key talent using incentives and personal development plans. Don't throw away talent unnecessarily, as this may prove to be a false economy when you consider the costs of recruitment and the loss of productivity and expertise. Make sure you take the appropriate advice, as these decisions are fraught with difficulty.
What to avoid?
You can't allow emotion to rule your decisionmaking. You need reasonable and objective criteria to ensure that decisions are made in the best interests of the business and are not based on relationships or length of service.

"Be decisive when making cuts. Develop a business plan to guide you through these challenging times. Be sure to keep your key people informed of changes and communicate your realigned business objectives."
***Michael McAteer**, Partner*

10 PROTECT YOUR PERSONAL WEALTH

What's the issue?
When business is thin on the ground, it is important to avoid being too reliant on the business. Also you need to have a clear view of how you separate your personal wealth from the finances of the business. Lenders will be asking for security, whether that is based on a business asset or on the business owner's personal property. Business owners need to be careful.
What can you do?
If you've made good profits over recent years, consider how you can take the money out of the business (taking into consideration the associated tax implications of the method used to take the money out). If the worst happens, those funds are safe. If you do end up putting money back in to the business, make sure it is your decision to do so, rather than doing so just because you have money left in there. If, as individuals, you need to lend money to the company out of personal funds, rather than putting it in as an unsecured loan, consider cash backing the bank's additional advance or taking security under a second charge after the bank. In this way, if you do cease trading, you improve the prospects of recovering your funds.
What to avoid? Throwing good money after bad.

EPACE

A meeting has been called with the new Minister in Department of Enterprise & Employment to discuss the Employment Compliance Bill. This is of major importance to our Industry and we will keep you updated on the progress.

NERA

(National Employment Rights Association)

AECI delegation met with the director of NERA recently to discuss the many problems our Industry is experiencing relating to policing of Electrical Contractors.
Using the "Whistle Blower Systems" NERA inspectors would be very happy to investigate Electrical Contractors from outside of the jurisdiction of Republic of Ireland carrying out Electrical work at rates paid in other countries and a much lower rate than the expected Irish rates of pay.

MOIRA ENNIS RIP

The President and Executive Council of the AECI would like to extend their sympathies and thoughts to our fellow Council Member Shelagh Ennis-Lamb on the recent berievement of her sister Moira. May she rest in peace.