

CRUNCH TIME COMING FOR SMALL TO MEDIUM EXPORTERS

The Government have announced some assistance for exporters in their recent packages to help small to medium sized businesses (SMEs) in the current economic downturn and financial crisis.

This assistance is in the form of credit insurance for export sales under 360 day payment terms. It effectively means that the Government through the Export Credit Office (NZECO) will underwrite the risk that the overseas buyer may default to the exporter when making payment. It will be available on a temporary basis for up to two and a half years and a \$50 million contingent liability for this has been established.

This can operate for example as NZECO confirming (or guaranteeing) an incoming letter of credit which would relieve the New Zealand advising Bank of the risk completely if that Bank discounted (paid out early to the exporter) the transaction.

There are some hooks in there of course. You just cannot sell to anyone and expect a Government backed credit guarantee. The package talks about “credit worthy buyers” in “normally insurable countries” and these are not exacting definitions. There is also a premium (as per all insurances) payable.

Exporters will need to weigh up the premium and administrative costs in providing NZECO with details to prove each buyer is credit worthy, and that the private sector is unable to support the sale on normal or reasonable terms, with, just getting on with business as usual.

But overseas buyers payment is not the only thing that is on the mind of many of our exporters.

Many businesses and not just exporters, are finding themselves facing a crossroads due to the baby boom era.

Quite some exporters, particularly manufacturing, are run by entrepreneurs who grew their business during or following the export drive of the 1960's and 1970's. These entrepreneur owners are now looking at retiring now or in the next 5 or so years.

What to do with the business, which in many cases is a successful contributor to New Zealand's economy?

Sell out? Not a good time to be selling anything at the moment with most international and local companies cutting costs and halting expansion.

Succession planning to family or staff/management is not always the best answer as the owner is usually a specialist in the product exported and maybe the family or managers do not have the same passion.

This is a dilemma many exporters will face in greater numbers as the group of retirees gets larger each year, and yes, it does affect Hawke's bay firms.

Just have a look around at our exporting community and you will see many such examples.

Our Export Services award winner 2008, Vectek Industries is one example with the owners, (mostly of the era I talk about), selling to ABB, a European Corporate. Good on them for building a business that could be attractive to such a great multinational.

However, if we continue to sell off our exporting companies to overseas interests what will eventually happen to export receipts and the economy?
45 South the whisky company, the Wellington buggy manufacturer and many more spring to mind and they had nothing to do with baby boomers!

We certainly need to find ways to help our SMEs to become larger companies and eventually multinationals but with their base here in Aotearoa. That will take a dramatic change in New Zealand from basic education to attracting international multinational managers to our shores.

I am happy to receive readers' ideas and thoughts.

Murray J Painter Feb 2009.