



# CAG Community Support

## The Salvation Army

Condon Associates Group are proud to be involved again in 2016 with the coordination, publicity and support for the upcoming Red Shield Appeal to be held on the weekend of May 28 and 29.

You may not be aware of some of the great work that is carried out by the Salvos, so here are some statistics of the tasks they take on in a typical year:

- 50,000 meals for the hungry every week
- 3,700+ food vouchers given to people in need every week
- 10,000+ contacts with young people through street outreach and drop in centres
- 1,100+ women helped by domestic violence centres
- 500+ crisis beds per night
- 5,000+ families assisted in disaster affected areas
- 6,400+ assisted by financial counsellors
- 11,000+ assisted by homeless services
- 31,000+ contacts made with job seekers by Employment Plus

I have left off many other services that will not fit into the space on this newsletter, suffice to say that the above speaks for itself.

If you and your business can assist by donating money, time or services, please feel free to contact Richard Abela at Condon Associates Group on 02 9893 9499.

### Thank God for the Salvos.



# REVIVE

March 2016 Vol. 2 Issue 1

## Blind Determination

By Schon G Condon RFD

In the turnaround space we are often required to deal with a business's circumstances, where it has continued to operate without change in an ever changing environment. Now there are certainly aspects of all businesses that must always be obeyed. These are the fundamental foundation stones on which a business must be built, in order to be successful. To many of us, these are basic and obvious, but regrettably to others they are less so.

To provide some degree of understanding such blocks are "selling items at a price that is greater than the cost of the item", "ensuring predicted turnover is sufficient to cover the fixed costs associated with operating the business", "ensuring appropriate registrations, licences, etc. are in place when necessary", and so on. One can write a book on this topic alone.

With certain businesses it is actually possible to build into these foundation rules, many additional "fixed determinants" because you can. The most obvious area where such behaviour can be the norm is where a monopoly exists. In such instances, almost anything can be fundamental and unchangeable because the customer either cops it, or simply goes without. The more necessary the product or service, the more likely that the sale will be guaranteed, regardless of the quality or service that the customer experiences.

A monopoly that panders exceedingly to its clients' needs in all areas (quality, service, timeliness, etc.), will in fact most likely continue for ever and there would be no one that could easily compete with the organisation. Regrettably it simply appears to be human nature that when you have this level of control, that you do not work hard to achieve satisfaction, but simply create an atmosphere of mistrust and distaste.

In instances where monopolies (or oligopolies) exist the transition from one to a more competitive environment can be quick, such as in the case of a deregulation, or it may be slow as people who are offended by the monopolists (or oligopolists) behaviours continually seek alternate solutions to what is becoming an increasingly painful relationship.



Photo: (Left) Schon G Condon RFD (Right) Richard Abela

Recently there has been much hype over the future potential lack of a need for central power providers because of household electricity generation and storage. There are similar forces acting as a result of Airbnb and Uber, and it is the later that caught my attention.

Recently myself and a colleague, travelled to Penrith by train after a function in the City. At Penrith I was seeking a cab to take me approximately 20 kilometres to the north whilst my associate was seeking a cab to take him approximately 10 kilometres to the west. He was promptly advised that he would have to pay the return fare as he would be crossing "the mystical bridge" over the river, I notwithstanding the fact that the trip was longer was not required to do so. He then stepped back and booked a driver with Uber, and paid less once!

You would think that with the advancing of a major threat that a business would go out of its way to rethink its model so that it became more relevant and more desired by its customers, but alas so often business drive forward (pun intended) oblivious to the predictable collapse that it will encounter. However, I must concede that without blind determination there would not be anywhere the level of turnaround work and insolvency for us to deal with!

Always remember, fight change with change.



The team at the Condon Associates Group is looking forward to helping you and your clients with business turnaround services.

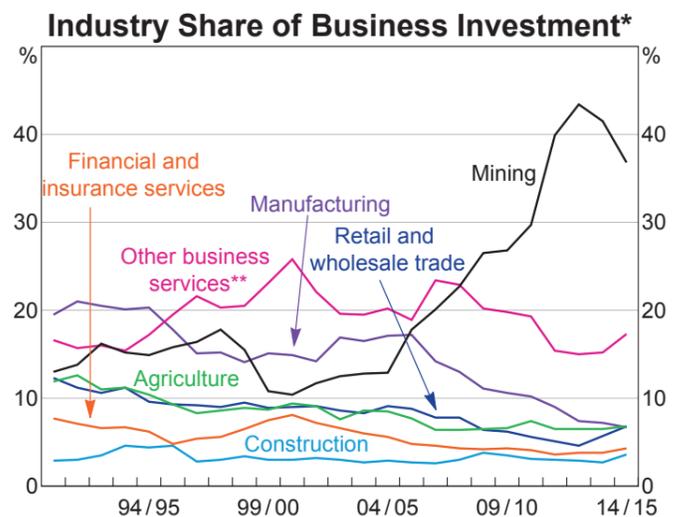
## The Ignored Economy

By Richard Abela

I note with fascination and a lot of frustration the current discourse on Tax Reform and the constant testing of the water by politicians of old and tired ideas on same, only to again find that most of the issues are, for our politicians, too hard to deal with! Thus we then reach the point that we revert back to a state of self-imposed stagnation and ignorance.

It is now appropriate to discuss the elephant in the room which takes the form of the other side of the tax debate and pose the question, "why aren't Australian businesses not making enough (or any) money to pay the necessary tax to run the country?"

The government's own ABS graph below clearly shows that from 2008 (the GFC) to today businesses (with the exception of miners) have maintained a steady decline in their investments in themselves. This is due to the fact that they see economic conditions so tenuous that they would rather accept a conservative status quo rather than invest in new ventures, technology or people.



\* Nominal

\*\* Includes: information media and telecommunications; rental, hiring and real estate services; professional, scientific and technical services; administrative and support services

Source: ABS

<http://www.rba.gov.au/chart-pack/pdf/chart-pack.pdf?v=2016-02-29-09-24-49>

During the mining boom all of this was effectively masked; well as far as short term thinking governments were concerned it was. The sense of urgency seen from Canberra was like a faint puff of wind in the flapping economic sails, while ever the miners kept the tax receipts (and exports) coming all was politically good even though the majority of the business community had stopped contributing.

Fast forward to today and all of our worst nightmares have come true, the mining boom is over and our lack of forethought has caught us with our economic pants down. So now we choose to look at the lazy way out and tax easy targets such as consumers and not truly attempt

to fix the economic structures that would see producers back paying tax, and making profits. *(And paying dividends! Ed.)*

I am not suggesting that an increase in the GST is a good or bad idea, I am just saying that when you have ignored your own data to stay popular you/we wear the consequences. We advocate to all of our clients that the time to innovate is when you have the money and confidence and not when you are desperate.

Unfortunately the economy is not showing any material signs that businesses are about to resume producing profits and thus paying the correct amount of tax. Further, I feel that we have an economy is three distinct layers.

**The top layer ...** The big firms (top 100) who can manage their affairs with the correct advice and thus pay the legal minimum amount of tax obligations.

**The bottom layer ...** small business who largely are self-sustaining, employ less than 10 people and make sufficient income to pay wages and not make a corporate profit.

**The middle layer of business (the forgotten economy!) ...** that have struggled with an escalation in competition over the last 10 years off the back of a currency hit that let all and sundry in to compete, that cannot get a bank in the land to fund their investments and thus have such poor confidence that they are no longer willing to make material investments! Thus it is with painful admission that I acknowledge that we are back to economic stagnation.

So my hope as we approach a Federal Budget with a new Treasurer with a focus on innovation, is that we might actually move the debate away from tax and back to supporting profitable business growth. A plan should be an integrated plan and not just a rhetorical one trick pony. Elements of this must include innovation and investment incentives, funding options and tax.

If it is truly a great time to be in business in Australia it will take courageous and coordinated economic leadership and not just a one policy attempt to truly secure our business future.

## Small Business and Unfair Contracts

By Ashley

The skills required to successfully run a small business are broad. Sales and marketing, accounting, production, supply chain management along with negotiation and human resources skills. Some or all are required in order to make a small business successful. In addition to all that, one area that is regularly neglected by business owners is asking for specialist advice and in particular structural and legal advice. This last function may well be the one that protects your business in the end.

A current theme we are seeing in our practice is small business owners who come to us in highly complex situations based upon the signing of unfair contracts. Many of these business owners meet with us only after their business begins to experience some distress. This is often as a result of a dispute or misunderstanding they are facing from a contract that they have signed which they now see as unfair. When asked why they signed the contract in the first instance answers like "it seemed alright" or "I didn't notice anything untoward" are given, yet if these business owners simply visited a specialist in this area it is more than likely that all of the issues they are facing would never have happened in the first place, or they would have entered into that agreement fully informed and risks known.

A typical example is a business owner who is overwhelmed by a large conglomerate offering them work and the business owner believing that if they do not sign the contract their own business will never achieve its potential. An example of this was a small business in the building industry who was offered a contract to provide services to a global property group. The business owner believed that the contract would transform his business, the only problem being the terms of payment and amounts paid were at the discretion of the global property group. The relationship quickly deteriorated within six months and the business owner had no option but to liquidate his company after the property group started forming its own view on the value of work completed. This issue was clearly covered in the relevant contract.

An area that we often see issues is with large shopping centre providers and their tenants, small businesses believe that by signing up

with a large shopping centre it will provide them with the exposure and foot traffic in order to make their business successful, whilst this is true often the terms and conditions relating to the lease contract make it all but impossible to justify their continued tenure. Examples include "floating rents" where initial rent amounts are charged however a percentage of the amount of income above a monthly amount must be paid to the centre management as an additional fee, forced sales whereby centre management tell tenants to discount items in their store, no "exclusive area rights" whereby another group selling similar items can open up next door if they wish, extra charges for the appointment of key management staff of the centre, the list goes on. Again these items are referred to in lease agreements and a thorough review would have uncovered these issues.

Insurance contracts need to be appropriately reviewed as many businesses have sought our assistance in recovering their organisation after a failed insurance claim. Many policies assume certain prerequisites before a claim can be enacted, for example segregation of duties, security systems being in place or appropriate review of employee activities, if these prerequisites are not in place the insurance company may not pay on any claim.

Picking up a new client (particularly a big client) is always exciting for any small business, however it is important that appropriate due diligence is completed on the client before signing any agreements. The ramifications of not conducting appropriate due diligence can be fatal for a small business, no matter how good a client may seem it is always worth checking the fine print.



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SOLUTION

## Turnaround Services

### What is true turnaround?

It's a sleeves up, hands on support of business as they take on their next business challenge

- Writing the next chapter of a business's strategic plan and then providing hands in executional support.
- Re grouping when either the internal or external environments become difficult.
- Proving support from the board all the way down the hands on direction for managers on the ground.
- Practical analytical services to assist business with developing a deep understanding of cash flow, margin preservation, business profitability and growth.
- Proving restructuring support to protect investors.

If your clients would like to have a discussion about supporting their future we would love to see them.

Call us now on (02) 9891 4494 or email us at [info@ebitms.com.au](mailto:info@ebitms.com.au).



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**1 to 1 Trusted Specialist Support to those in Business Distress**