

NO GAINS NO PAIN (FEES) Niet pribyli niet platy

Fees will be calculated on a percentage of the annual gains. No gains then no fees and no pain. Our expected gainsharing will be in the range of 15% for year one then 12.5% for year two and 10% ongoing. Where clients pay agreed monthly fees the gainsharing will be descending from 10% to 5% over 3 years then 5% ongoing.

We expect that Sales Managers will be on appropriate fees with us for service agreements. For the top Tutors and in the case of highly qualified auditors the hourly fees we pay can be in the range of \$60 to \$100 per hour. Lead Auditors and Specialists may also share in the gainsharing capitation sums received.



PLAN AHEAD NOW FOR JOINING THE MILLION DOLLAR CLUB

The opportunity is yours today and you can benefit your company or you can continue to waste your time and ours. This is an absolutely genuine offer and you have almost nothing to lose except perhaps your dignity if at long last your belief has been over trumped and your expectation of failure - overturned.

Summit Manager Name _____ Telephone/Email _____
All information in this newsletter is to the best of our knowledge true and accurate. No liability is assumed by the author, or publisher, for any losses suffered by any person relying directly or indirectly upon this newsletter. Please call Head Office for advice. Philippians 3:12, Not that I have already obtained all this, or have already been perfected, but I press on to take hold of that for which Christ Jesus took hold of me.

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**News, Views, Solutions
from Summit Systems
March 2020**



TOO BIG TO FAIL LEAGUE – IMPORTANT LESSONS

Some 25 years ago there were several head office sites in Christchurch. That gradually changed as we shipped our jobs offshore. China was the winner for most of the switches. We had to learn several lessons and our Grand Mother proverbs are recalled with regalia. “The bigger they are the harder they fall”; “People in glass houses shouldn’t throw stones”; “If you are in the wrong you need to keep your temper and if you are in the right you can afford to keep it”.

We had a former Minister of Finance called Dr Michael Cullen and under his reign we had about 28 Finance Houses and during one of the crash cycles we had about two thirds of them go down the gurgler. He then decided to require much better Capital Reserve Ratios with the expectation that they would not fail for a long time ahead. More recently the Reserve Bank has called on most or all of the major banks to improve or strength the Capital Reserve Ratio on the belief that there may be a serious crash on the horizon. We are not sure when the crash will happen but every month must surely bring us closer and closer.

We are however a little bit puzzled by the mistaken belief that the NZ Govt can actually guarantee all of the banks and we doubt that NZ Govt has the capacity for this anyway. The same can be said in Germany, They cannot and will not bail out the Deutsche Bank if and when it comes to a nasty fall.

Until recently the capital adequacy ratio of the major banks has been 4.5% and 90% of the people who have deposits in NZ think that their money is backed 100% by what the bank holds. Their belief is pure fantasy and the adequacy was well on the way to zero. We are very pleased to see that Resbank has decided to require much better ratios and in the range of 12-18% depending on the range of other controls.

<https://www.rbnz.govt.nz/-/media/ReserveBank/Files/Publications/Policy-development/Banks/Review-capital-adequacy-framework-for-registered-banks/decisions/Capital-Review-decisions.pdf?revision=ebc7cac0-a0ac-4ac4-b079-f7737227e719>

We strongly advise all clients to ensure that they deal with two or three banks and not just one as they run the risk of capital crash and failure to flow through and they will lose everything. It does not matter whether you are lender or borrower, the same rule applies. Do not fall into the 30% rule trap. The 30% rule is that if your business has 30% or more of its business in one client or situation you are at grave risk of failure in the event that the entity fails and drags you down with it.

2.

They do not understand the Pareto Principles and nor do they wish to even think about them. Worse still they fall for the 30% rule and think that they are clever and find it impossible to believe that they just signed off the “death certificate” for their business.

The next thing is that they make more mistakes and it is a “bridge too far” and they cannot deliver the failing enterprise and it quickly goes from the **maturity stage** to terminal.

Only in rare cases will the business resurrect and start over again at one of the stages of the cycle. This means that about 15% of businesses fail per year and if you wait for 6-8 years you get a “complete clean out”. Many of the trip wires are avoidable and either the business owner does not wish to listen to good advice or the Accountant simply does not know or does not know how to communicate in a sufficient and adequate manner.

The first likely stall and fall is when the business is not told to provide for advance taxation and manages to get through year one and then embarks on year two with neither catch up tax being paid nor advance provisional. Halfway through year two the alarm bells sound and then there are lots of accusations and bemoaning of the situation often now out of control and the business is in crisis and will fail in less than three years.

Another taxation hurdle comes along when the business is required to move from cash accounting to GST accounting and to pay GST as you go when the work is done and not yet paid for. This can be the end of many businesses as the owner simply could not find hundreds of thousands of dollars to pay IRD for their precious GST and PAYE.



FAILURE TO PLAN IS A GUARANTEE TO FLIP FLOP & FAIL

Did you know that the most common failure of business is caused by failure to plan ahead. They do not provide for taxation. They do not provide for overdraft. They do not provide for problems that are inevitable. They do not provide for turnover of staff and loss of expertise.

They do not avail any NZ Govt grants or subsidies for business growth as they are much too clever and do not need any help and they will simply demonstrate how clever they are. They often enter into contracts that are beyond their abilities and then they end up in court and the cost of this plus all of the aggravation is more than they can take. They do not know their rights under the Companies Act and Commercial Contracts law.

The most common fault that we find when approaching potential new clients is breaches of the 30% rule and most medium businesses are in serious danger of company failure.

3.

WOULD YOU LIKE TO JOIN THE BRILLIANT BUSINESS SCHEME? **NB: conditions apply - this is for very cooperative managers**

Did you know that it is possible for most medium and large companies to save up to \$1 million dollars per annum? Did you know that this is not just for companies with a turnover of \$100 million as it can apply to medium sites with a workers that are prepared to go for major contracts and to win them?

We sincerely regret that it has taken us so long to refine our offerings and this has caused us to focus on small contractors and not to look into the big picture. The big picture is that many or most of the large sites in NZ are managed by managers that are not suitable for the purpose unless they have been subject to scrutiny and have been trained in new ways to generate benefits for their company.

It takes one man or woman to make a difference



The new scheme will be available to all sites with 15 + workers.

The first stage will be on a fees basis but it will be cost neutral and return a platform or springboard for the site to make significant gains annually. The next stage will be to focus on **rationalisation of management** and to make significant use of **Safety Officers** for very large savings. Add to this the potential for **ACC bonuses** of up to 50% believe it or not. In addition, **performance management** for all workers and managers of the teams.

The next stage is for **Risk Management audit plus Fire Safety Audit** for the purpose of making **incredible insurance gains** of up to 80%. The final stage is engagement with **environmental and quality assurance** systems plus significant **business solutions** that you did not get on the MBA. All of the stages will be on a firm percentage of improvements and we will lock them in with legal agreements to ensure we do not have disputes.

EXERCISE = FOCUS ON COMPLIANCE COSTS

Business budget for expenditure - Large site

a) Operations	\$11,500,000
b) Administration Dept	\$1,000,000
c) Salaries Directors (2)	\$500,000
d) Wages for workers / managers(200)	\$10,000,000
e) HR Dept / compliance managers (3)	\$600,000
f) PAYE IRD	\$2,000,000
g) GST IRD + TAX	\$4,000,000
h) Motor vehicles	\$980,000
i) Postages and phones / Mobiles	\$280,000
j) Marketing / Adverts	\$400,000
k) Finance Accounts Payroll services	\$400,000
l) Legal and standards genuine	\$300,000
m) ACC costs	\$500,000
n) Insurances standard rate	\$1,000,000
o) Subbies on contract	\$800,000
p) Materials and stores	\$2,700,000
q) Insurance claims excess / damage	\$400,000
r) Turnoff or reductions by clients	\$300,000
s) Legal and HR costs due to incompetency	\$200,000
t) Admin wastage disciplinary from low quality	\$400,000
u) Drug days time off or holidays / hidden	\$300,000
v) Business consulting	\$200,000
w) Staff training	\$220,000
x) Plant Maintenance	\$450,000
y) Miscellaneous	\$280,000
z) Contingencies	\$480,000
TOTAL	\$40,190,000

Allow profit margin of 23%

Incomes typical \$50,663,700

QA/RMA nil = zero gains

Typical profit \$9,473,700

Yellow to be removed, blue to be reduced

Green to be analysed, grey is SSL fees

EXERCISE = RESTRUCTURE AND MAKE EFFICIENT

a) Operations	\$11,500,000
b) Administration Dept	\$1,000,000
c) Salaries Directors (2)	\$500,000
d) Wages for workers / managers(40)	\$10,000,000

Efficiency gains by performance management

Involves bonus scheme for zero accidents, zero damage, zero client complaints, zero drugs and zero admin problems.

A net efficiency gain of 5% is very easy to achieve

Reduce accident and incident costs by 80%

Reduce risks of prosecution by 96%

Spend \$140,000 to reduce yellow by 80% \$140,000

e) HR Dept / compliance managers (3)

Reduce by two managers

\$200,000

SSL costs \$400k x 15% = \$60,000

\$60,000

f) PAYE IRD	\$2,000,000
g) GST IRD + TAX	\$4,000,000
h) Motor vehicles	\$980,000
i) Postages and phones / Mobiles	\$280,000
j) Marketing / Adverts	\$400,000
k) Finance Accounts Payroll services	\$400,000
l) Legal and standards genuine	\$300,000

m) ACC costs

\$400,000

Save 20% year 1, 30% year 2, 40% year 3,

SSL costs 15% of \$100k = \$15k

\$ 15,000

n) Insurances reduced rate

\$800,000

Save 20% year 1, 30% year 2, 40% year 3,

SSL costs 15% of \$200k = \$30k

\$ 30,000

o) Subbies on contract	\$800,000
p) Materials and stores	\$2,700,000

q) Insurance claims excess / damage	\$ 80,000
r) Turnoff or reductions by clients	\$ 60,000
s) Legal and HR costs due to incompetency	\$ 40,000
t) Admin wastage disciplinary from low quality	\$ 80,000
u) Drug days time off or holidays / hidden	\$ 60,000

spend \$140,000 bonus above to reduce by \$1,280k

SSL costs 15% of \$1280k = \$192k

\$192,000

TOTAL \$37,017,000

v) Business consulting	\$100,000
Reduce by 50% SSL	\$ 15,000
w) Staff training	\$110,000
Reduce by 50% SSL	\$ 16,000
x) Plant Maintenance	\$450,000
y) Miscellaneous	\$280,000
z) Contingencies	\$480,000
TOTAL	\$1,451,000
GRAND TOTAL	\$38,468,000

Allow profit margin of 23%
 Incomes typical same as previous \$50,663,700
 Typical profit under savings scheme \$12,195,700
Improvement in profit of \$2,722,000

At the same time reduce risk of prosecution by 96%

QUALIFICATIONS NOW ADDED

Add increase see below \$5,000,000 = \$55 million

Extra profit \$1,150k SSL share at 10% = \$115,000

Improved profit now \$13,345,700

Implement QA ISO 9001 or TQS1 system Value \$10,000
 and RMA environmental ISO 14001 system value \$8,000
 Prices waived if regular client and on gain sharing
 Turnover likely to increase by up to 50% and profits by up to 15%.

SOLUTIONS PACKAGES NOW ADDED

Up to 40 business solutions evaluated for the client.
 Normally there are several to be adopted.

Extra profits or savings \$150k SSL share at 10% = \$15,000

Improved profit now \$13,495,700

NB: WHEN YOU JOIN OUR MILLION DOLLAR CLUB

SSL may joint venture with Steadfast Brokers or one of their risk management leaders to examine and consider the best Insurance solutions. We may also use Willis Corroon.

For the purpose of continued focus there will be an annual risk audit and possibly a Fire Safety audit.

MATTERS TO CONSIDER WHEN YOU JOIN OUR MILLION DOLLAR CLUB

1. Taxation planning will be essential as there are profound differences to consider.
2. Directors or Owners may need to consider spreading more private incomes into their partners or family.
3. New vehicles may need to be considered with annual purchases in a timely fashion.
4. Investment into property or into precious metals would be important in a strategic manner.
5. The company would be well advised to award incentives to people or methods of marketing that are effective.
6. Most medium size businesses are in serious breach of the 30% rule and are likely to fail within the next few years.