



Business Survival Toolkit

Practical information for businesses following the
Canterbury Earthquake

September 2010

Disclaimer:

Before taking any action we recommend you contact your accountant, financial or business advisers.

Care has been taken in the preparation of this Business Survival Toolkit but Enterprise North Canterbury accepts no responsibility for any loss arising to any person as a result of action or inaction based on this toolkit.

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Business Survival Toolkit

This toolkit has been designed by ENC as a practical source of information for businesses in North Canterbury following the earthquake in Canterbury on 4th September 2010.

This will be updated as information becomes available and the latest version will be available online at www.northcanterbury.co.nz to download.

If there is any information which is not covered in this toolkit which you feel should be, please email office@enterprisenc.co.nz or call 03 310 6860

Business Information and Support

Information and support is on offer to businesses affected by the earthquake which affected parts of North Canterbury.

1. Enterprise North Canterbury

Enterprise North Canterbury is the Economic Development Agency for North Canterbury and as such is working alongside Kaiapoi Promotions Association and Waimakariri District Council to support businesses affected by the recent earthquake and aftershocks.

ENC is leading the Economic Recovery group as part of the WDC Civil Defence team.

Information is regularly updated at www.northcanterbury.co.nz and www.waimakariri.govt.nz

2. Recover Canterbury

A new website has been set up by CDC and Canterbury Employers Chamber of Commerce to provide business information for the recovery process to businesses in Canterbury affected by the recent earthquake.

Information is regularly updated at www.recovercanterbury.co.nz or call 0800 505096

3. Waimakariri District Council - Welfare Centres and Recovery Assistance Centre

Welfare Centres have been set up by Waimakariri District Council in Kaiapoi at the Rugby Club Rooms on Smith St. Information, advice and support is available here for individuals and businesses.

Information and advice for businesses, including

- the Earthquake Support Subsidy
- Yellow pages and other local information.
- Housing advice, social work support, Citizens Advice Bureau staff, benefits advice.

Waimakariri District Council will also be co-ordinating a Recovery Assistance Centre (RAC) which will be based in Kaiapoi in the near future. www.waimakariri.govt.nz will have more information.

4. Business Mentors NZ

- This is a nationwide network of business mentors available to work with businesses. There is a network of more than 16 000 mentors who are successful business people in their own right.
- Mentors are available to work with you on a wide range of subjects.
- Membership is for 2 years and during that time you may have access to more than one mentor depending on the needs of your business.

www.businessmentors.org.nz or call 0800 209 209

5. BIZ Support

- Business.govt.nz is the New Zealand government business website. The information and tools on this site are designed specifically for small and medium-sized businesses, and the people who advise and support them.
- Business.govt.nz provides free access to a wide range of resources. It acts as a gateway to government and private sector business information, news and services.

www.business.govt.nz or call 0800 42 49 46

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Services

There are many services available to support businesses through this very stressful time. The information provided here are the main contacts that we are aware of at this time.

1 Work and Income NZ

- The Rangiora branch is closed due to structural damage.
- The Kaiapoi office is open and there are also staff available at the Welfare Centre in Kaiapoi.
- The Earthquake Support Subsidy for businesses meeting the criteria and is available from Thursday 9th September
- The wage subsidy will be paid to the EMPLOYER **retrospectively** from Saturday 4 September and is:
 - for upto 4 weeks (additional funding will be subject to re-application)
 - at the gross rate of \$350 (INC GST) per week per employee or pro rata for part time employees.
 - For self employed people
 - as a lump sum advance payment
- Download the form from www.msd.govt.nz or call 0800 77 999 7 and drop off at the Work and Income Office in Kaiapoi

2 Libraries

- The library in Kaiapoi will remain closed for the time being.
- The Libraries in Oxford and Rangiora are open as usual. Internet access is free of charge in the library.
- There will be an "amnesty" for returning borrowed items from the Kaiapoi branch.

3 NZ Post

- NZ Post have confirmed that all businesses the mail is at presently being held by the delivery branch and we are have just been informed that the Kaiapoi Postshop is expected to reopen on **Monday 20th September**. The mail will then be able to be uplifted from the Postshop.
- In the mean time PO Box mail has been held in Rangiora for collection. If businesses choose NOT to use this service and request mail redirecting elsewhere NORMAL redirection CHARGES will apply.
- All mail which is usually delivered on a postal delivery route will be delivered as usual **subject to safety** issues. Any mail that can not be delivered in this manner will be held at Rangiora for collection. This will be reassessed regularly.

4 Legal advice

Changes to **any** contracts should be performed only after taking legal advice. If you don't already have a legal representative, please consult www.lawsociety.org.nz or call 03 366 9184 for locally registered legal companies.

5 Banking Services

- Banks are coming to the aid of our members and the wider Christchurch businesses in offering immediate overdraft assistance no questions asked, which will assist with immediate cash flow problems and on-going financial commitments.
- Many are offering waive of fees and repayment holidays for 3 months.
- Please speak to your own bank about how they can help you.
- <http://www.rbnz.govt.nz/nzbanks/0091622.html>

6 IRD

The IRD have set up a dedicated area on their website and request that customers contact them with individual questions.

Tax and GST

- After an earthquake we understand that tax isn't the first thing on your mind.
- IRD have put some tax relief measures in place to help you at this time.

Please visit www.ird.govt.nz for the latest updates call IRD on 0800 473 566.

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7. Department of Labour

The Department of Labour has a wealth of information available to employers and employees following the earthquake.

There are a range of **health and safety** and **employment relations** issues to consider:

- Do not open for business unless a building inspection has been completed and approved (traffic light system)
- Safety is paramount for yourselves, your staff and your customers
- Communication with staff and customers at this time is a priority.

Please visit www.dol.govt.nz/quake2010 for more information or call 0800 20 90 20

8. Insurance Claims

Check with your insurance company first **before** you throw anything away or start any repair work. They can often recommend suitable tradesmen to help you, and may be willing to make an interim payment to help you get your business going again as quickly as possible.

Ask the insurance company:

- How long it will be before the loss adjuster visits.
- Exactly what you can claim for and what actions you need to take.
- If you are to clean your property or if they will get a company to do it for you.
- About an interim payment to help your business start trading as soon as possible to minimise your loss.

Remember:

- Always make your own record of earthquake damage
- Photograph or video record your damaged property.
- List the damage to your property and belongings.
- If your insurance policy covers you for loss of perishable goods, make a list of all the foods you throw away.
- Include anything in your fridge or freezer ruined by loss of power.

Things to help with your insurance claim

- Confirm the insurance company will pay for any service or equipment you need.
- Make a note of all telephone calls. Record the date, name and what was agreed.
- Keep copies of all letters, emails and faxes you send and receive.
- Keep receipts.
- Don't throw anything away until told (except ruined food).
- Depending on your policy, the insurance company may only offer to clean and repair something, not replace it. – check with them.

8 Help for Affected Businesses

Enterprise North Canterbury has set up a portal through their website www.northcanterbury.co.nz where businesses can register their ability to help or their request for help.

This information is collated daily and details are distributed to businesses offering help.

Business Survival Plan

We suggest you discuss developing a Business Survival Plan with your accountant, financial or business adviser who will advise you on the best methods of implementation for your business.

This plan is specifically written for those directly affected by an unforeseen event, but most of the plan is equally applicable if your business has been affected indirectly, e.g. if a key supplier or customer(s) is out of action.

Some points to note in your plan:

1. Expected Timescale

The expected period of disruption will not be the same for everyone but we recommend that the business should create a fund of cash or bank facilities to be able to operate for at least six months with no or considerably reduced sales. Make an estimate of how long your premises will be out of action for and/or how long your customers/suppliers will be affected.

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2. Customers, Suppliers and Marketing

Analyse your likely sales over various markets, taking into account not only the direct impact of your business following the earthquake but also any impact of the on your customers and suppliers as they may also have been affected.

The assessment needs to be realistic and not over optimistic because very important decisions will be taken on the basis of this information. Look at:

- which, if any customers, you are able to supply currently
- what you need to do to be able to supply other customers
- whether there are new channels you could use to sell to your existing and/or new customers
- e.g. street markets, internet, home deliveries/supply, working with another business
- which customers will be so badly affected that their sales are likely to cease forever
- which customers will be affected until they recover from the earthquake, how long is this likely to be
- and to what extent (will they not buy at all or will they buy less)
- which customers won't be affected at all
- whether there are new customers/markets you could target
- whether your suppliers are affected, how long this is likely to be the case for, and where, if necessary you can source alternative supplies.

Communicate with your customers as soon as possible – and keep communicating with them.

- Let them know your situation, how it affects them and what you are doing to maintain/restart supplies to them.
- If appropriate think about how you could access new supplies quickly or provide services to them in a different venue – so that they aren't forced to go elsewhere.
- Keep them up to date with the situation as it evolves.
- When you're able to get back to normal you might think about how to reward customers who've stayed loyal e.g. thank you card, special opening offer, opening event for customers.

3. Credit Control Procedures

It's vital for your cash flow that you have stringent credit control procedures in place with any new customers (especially if they may be seeking alternative suppliers as their credit lines dry up) and with existing customers possibly seeking extended credit periods. These are difficult business decisions.

You may have opportunities to create new relationships which will develop the business in the future but at the same time you may create additional financial strain on your own business in the very near future or it may even create a bad debt which will cause you serious financial problems in the future.

4. Your Contract Terms

- Review the contractual terms of your business to ensure that you understand the legal status of the various clauses, both for your customers and for your suppliers.
- If applicable you will need to take a commercial decision on your policy on cancellation of orders, bearing in mind your current financial situation and the potential lifetime value of that particular customer in future years.
- The more difficult your own current financial situation the more difficult the decision will be on whether you can accept the cancellation or whether you need to pursue a legally binding order.
- A similar situation will arise when you are considering cancelling orders with your suppliers.

5. Other Income Opportunities

Explore every possible income opportunity to establish whether new income streams can be created:

- new products/services that could be developed quickly
- other ways of getting your product or service to customers
- employment for a short while to increase income
- claiming any benefits that may be due to you
- Insurance Cover

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6. Cost and Cash Control

Clearly there will be a number of urgent demands on your time, but taking steps to cut costs and improve cash flow are vital.

The first course of action is to **turn off as quickly as possible all non essential cash outflow**. The quicker this is done, the longer the business will be able to survive and the more likely it will have the necessary funds to support its recovery.

This may be business or private expenditure, revenue or capital.

- Review **all** standing orders and direct debits, whether business or private, and consider cancelling any non essential payments.
- If you trade as a company you should consider stopping drawing a salary as this will reduce the ACC and PAYE liabilities – **discuss this with your accountant first**

Once you have done this calculate how much money is needed to meet the level of costs and outgoings for the next six months or however long realistically you will be affected.

Decide what are Essentials and Non Essentials

- Calculate Materials and direct costs of production to meet anticipated sales
- Stocks of raw materials
- Key staff and Subcontractors
- Light, heat and power (once back in your premises)
- Insurance Motor repairs and service
- Telephone system and internet Telephone calls (reduce where possible)
- Marketing? (depends on your circumstances)
- Printing and stationery
- Business rates
- Taxes (PAYE, ACC, income tax, GST) –try to reduce/defer
- Cleaning & laundry (DIY)
- Essential living costs
- Repairs to your property - Non essential repairs and maintenance (DIY)
- Replacing lost/damaged equipment (speak to insurance company)
- Pension contributions (suspend)
- Investments and savings plans (review with financial adviser)
- Capital expenditure (zero - other than replacing earthquake damaged losses)
- Bank loan repayments (speak to your bank)
- Leasing & HP payments speak to lease / finance company)
- Non essential personal expenditure (reduce to minimum)

7. Cash Flow Management

Once you've quantified the problem the business will need to amass the necessary resources to meet these outgoings, whether this is in cash, credit facilities, bank overdraft, sale of surplus assets, introduction from your own resources or loans from friends or relatives, etc to meet these needs.

ENC is working with CDC and NZTE to source training for managing cash flow in a crisis and will advise businesses of this as soon as it is available.

8. Own Resources

The business may need an injection of some of your own resources or those of your family or friends to help meet commitments.

This is a complex area and you should consult your accountant/financial adviser before taking any action.

- You may need to give notice of withdrawal from some designated bank or building society accounts – **speak to your bank straightaway.**
- You should also keep back say another two months of outgoings as a contingency fund in case you are severely affected for longer than expected.

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- If you trade as a company you should consider stopping drawing a salary as this will reduce the ACC and PAYE liabilities.
- The drawings you need to live on can be taken either by withdrawal from your loan account, by dividend or through the creation of a loan account from the company. These actions will considerably reduce the regular outgoings from the business. – **Speak to your accountant/financial adviser.**

Once you know how much you can introduce into the business from your own resources you will need to work out how you are going to find the balance.

9. Sale of Surplus Assets

- To fund your business you should consider selling any personal or business assets that are surplus to requirements.
- Trading stocks (if they haven't already been destroyed) should be reduced to anticipate the non-existent or quieter trading period.

10. Banks, Building Societies, Hire Purchase, Leasing and Other Funders

- It's vital that you discuss the situation with your banker or funder as soon as you have a draft financial plan in mind.
- The relationship that you've developed with your banker over the past few years will now become an important asset.
- Your banker should be understanding and supportive but may need to obtain authority from regional office for capital and interest holidays or increased facilities, so **timing** of the funding application will be very important.

11. Suppliers

Discuss delayed or deferred payment with suppliers. This is a good source of funding.

12. Staff

It's vital to review staffing levels as quickly as possible.

When doing this:

- Look at asking staff to take holidays now
- Review Contracts of Employment and consider varying terms and conditions
- Look at negotiating amended hours or salary levels.
- Check notice periods to be given to make people redundant and any costs this would involve

Make sure you follow the correct processes when carrying out any of these changes and take account of any contractual and legal requirements. www.dol.govt.nz has more information on this.

13. Action Plan and Milestones

Draw up an action plan for the next six months covering the following:

- financial projections for the next six months
- sales target
- marketing strategy and plan
- revenue expenditure budget including staffing strategy
- capital expenditure budget
- personal expenditure budget
- funding strategy and plan
- tax plan

The plan should be reviewed weekly then monthly to confirm that you are on track, and if you are not you can identify what further action(s) you need to take.

It's important that you keep your accountant/financial adviser and your bank manager or funder informed of developments, together with the actions you are taking. This will ensure that they are in a position to help if needed.

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Future Business Continuity Plan

ENC will look to provide some training for this at a later date.

The last thing you want to think about right now is this happening again! However, there are lots of disasters that can hit your business so every business should have a recovery plan.

The goal of any business emergency planning is to promote business continuity and safety, minimise impact, and assist in speedy recovery.

Recovery Plans usually cover fire, flood, storm, electricity interruption, computer system failure or data corruption, and other potential disasters such as pandemic flu, foot & mouth disease and other human/animal diseases.

As part of this you may wish to consider specific measures with regard to earthquake.

www.getthru.govt.nz is a website dedicated to giving practical information on what to do in the event of a disaster during and after and has a guide to preparing a recovery plan for your business.

Useful Contacts

Waimakariri District Council	www.waimakariri.govt.nz	03 310 8900 03 327 6834
o Environmental Health		
o Pollution (blocked drains etc),		
o Refuse Collection		
Government Helpline	www.canterburyearthquake.govt.nz	0800 77 999 77
Work and Income NZ	www.msd.govt.nz	0800 559 009
Enterprise North Canterbury	www.northcanterbury.co.nz	03 310 6860
IRD	www.ird.govt.nz	0800 227 771 or 0800 473 566
Citizens Advice Bureau	www.cab.org.nz	0800 367 222
ECan	www.ecan.govt.nz	
Highways	www.nzta.govt.nz	0800 44 44 49
Police	www.police.govt.nz	03 363 7400 (or 111 emergency only)
Red Cross	www.redcross.org.nz	0800 733 276
Samaritans	www.samaritans.org.nz	0800 726 666
The Earthquake Commission	www.eqc.govt.nz	0800 326 2343
The New Zealand Insurance Council	www.icnz.org.nz	
Ministry of Health - Healthline	www.healthline.govt.nz	0800 611 116
Victim Support	www.victimsupport.org.nz	0800 842 846
Relationship Services	www.relate.org.nz	0800 735283
Department of Labour	www.dol.govt.nz	0800 209020
Maori Business Facilitation Service	www.tpk.govt.nz	0800 949 997