FEDERATION OF EUROPEAN CREDIT MANAGEMENT ASSOCIATIONS

FECMA

Newsletter summer 2009 — number 23

From Glen Bullivant:

Someone once said that a week was a long time in politics. For the UK Prime Minister, Gordon Brown, 20 minutes must seem like a month. On Thursday 4 June, his Labour Party fell foul of the British elector, losing control of local councils the length and breadth of the nation; his Cabinet fell apart with Ministers making for the boats long before they were lowered; he even encountered the jeers and disapproval of veterans at the 65th anniversary celebrations in Normandy of Operation Overlord. It is quite likely that he was probably not looking forward either to Sunday 7 June when the votes would be counted of those UK voters who had bothered to put a cross on the ballot paper the previous Thursday. But, then again, he was likely not to have been the only political leader in Europe who thought that Sunday might have been a day better spent in the spare room building a model railway than stopping up to watch the ensuing mayhem.

Sunday was a disaster or a triumph – it is all a matter of point of view, after all. The Socialists were snubbed, the Right and the Far Right made gains, and the political commentators went into overdrive on television and in the newspapers in an attempt to make sense of it all. I have some observations (you would expect no less, I am sure). First, the turnout of electors was the lowest ever. It has been falling in every European Parliament election since they began 30 years ago. Second, from the vantage point of the UK, the system of PR (Proportional Representation) throws up some odd consequences. The British National Party (BNP) secured 2 seats in the European Parliament, in spite of coming 5th in the UK in terms of popular vote (under 10%). The debate about PR has been going on for years in the UK, where elections for local councils and Westminster have always been on the “first past the post” basis. I get more votes than you, and I win – considered just as unfair by many as PR is considered by others.

It may be, of course, that these are far from normal times. Chrysler – bankrupt; General Motors – bankrupt; empty shops; building projects on hold; rising unemployment; insecurity; uncertainty; on and on and on. Perhaps the signal being sent to the European Parliament and European Commission by those electors who did bother to vote (and by default also by those who did not) was simply: ‘allo, ‘allo, listen very carefully for we shall say this only once - stop strutting about like some sort of privileged elite and re-connect with us citizens who actually pay your salaries. When we say yes, we mean, yes and when we say no, we mean, no. Quite simple, really.

…… continue on page 2

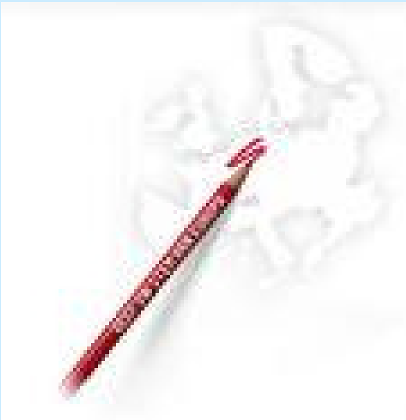
FECMA members:

Austria	**www.credit-manager.at**	**Ireland**	**www.iicm.ie**
Belgium	**www.ivkm.be**	**Italy**	**www.acmi.it**
Denmark	**www.dkforum.dk**	**Malta**	**www.macm.org.mt**
Finland	**www.luottomiehet.fi**	**Netherlands**	**www.vvcm.nl**
France	**www.afdcc.com**	**Sweden**	**www.kreditforeningen.se**
Germany	**www.credit-manager.de**	**United Kingdom**	**www.icm.org.uk**

More complicated, however, is the need to understand the balance between self interest and mutual well being. Are workers at Vauxhall to be sacrificed in the GM – Magna – Opel deal? Those 5,000 at Luton and Ellesmere are more likely to see what their European Member will do for *them* than they are to see the overall benefit of the German government's support of Magna – Opel. My mind goes back to the D-Day commemorations mentioned above. Watching those grand old men, now in their 80s and 90s, walking amongst friends in Arromanches indicated quite clearly the value and the need for all the nations of Europe to join together in peace and harmony and nobody there would ever want to see a return to the old days of conflict, mistrust and continuing hostility. On the contrary that very same man on the Clapham omnibus, and that very same lady on the Paris Metro, are fully supportive of the European Union – it is just that they would like to be listened to from time to time.

From our point of view, as credit managers in Europe, it is of course business as usual. European Parliaments may alter in their make up from time to time, the Left in the ascendancy, the Right in ascendancy, larger or smaller fringe parties, alliances and coalitions – the work of FECMA members goes on. We strive more and more to make ourselves heard, continue to advocate the need for sensible receivables control and raise professional standards. 2009 has been interesting and challenging so far and will become even more so as we head through what is likely to be a long hot summer (not necessarily in Malta – it rains there sometimes, you know). In November, FECMA will be at the 2nd World Credit Management Congress, being held in Dublin, and that will be another opportunity to show the benefits of cooperation and not only do I hope to see FECMA members there, but also representatives from those countries who are not yet members of FECMA.

By the way, a new book on credit management will be in the bookshops by then – I am given to understand it is the best yet, and I await with great anticipation. It will be in English – well, it would, would it not?!



By Tiina Björkqvist
Credit Manager
Euler Hermes Luottovakuutus

Some thoughts about the current economic crisis from a Finnish perspective when we, in the euro zone area, now are in this worst worldwide recession since 1945. Yes, Finland is experiencing a recession too. Suddenly last autumn, in the end of September – beginning of October we all noticed, something was about to change. We had learned about the credit and real estate bubbles in USA, Spain, UK and Ireland, even Denmark in Nordic area had been hit. Worrying news about specific sectors in difficulty; automotive, aviation, construction, came to our knowledge from everywhere. Still, who would have guessed then in the beginning of summer 2008 that after the summer holidays markets would slow down, new order intake would fall, demand would drop in major part of businesses also here? Who would have guessed that everything would change and change very rapidly – also in this country?

Now Finland belongs to one of the most hurt economies export wise among Germany, Japan and the rest of Scandinavia.

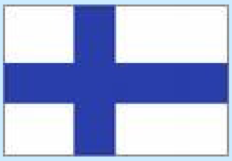
Finland has traditionally been a small, open economy with a large export sector in relation to GNP. The positive long-term development of terms of trade, which is the ratio between export and import prices, has been a key to Finnish prosperity. Now this balance is rocked, both exports and imports have been contracted exceptionally strongly and it is only natural that a small economy that is heavily dependent on exports finds itself in a very difficult position.

No talks anymore that Finland and other Nordic countries' traditionally robust, export-driven economies should escape the worst effects of the global economic crisis. My colleague attended recently a seminar about the deepening Russian financial crises. There, one of the speakers, owning a business in Russia, told that he had been asked by his very worried Russian business partner that “how is Finland actually doing – Germany is standstill, the Russian ruble has gone down by 30% as well as the Swedish crown and 50% of GBP is coming from export”? Very good question indeed, who is the one in trouble?

I was a risk underwriter in the 1990’s and had ten years underwriting experience when moving to commercial underwriting and sales in the early years of 2000. After eight years in commercial underwriting I felt ready for risk underwriting again. Yes, I was ready for new challenges and challenging is exactly what it has been since June 2008.

During eight years things have changed in risk underwriting – there has been recessions and economic turmoil before but never has it hit this country so fast, so suddenly that one can actually point out a specific week when it started. Of course recessions and downturns don’t just hit you out from the blue, they are predictable. Luckily, in case you have experience from earlier crises and have been in the business for a long time, you don’t panic, you know what to do, what to focus on. We have lived through crises before and we have come out of them – every time a little wiser. So – we have the experience and we have the tools and we started the measures in time. The various action plans to prevent the crisis from hitting our respective companies in order to protect our balances and the balances of our customers.

After eight months of recession the question is “when will this end? I think history is our best guide. It has taught us that recessions tend to push inflation lower; that stock markets usually recover before the economy does; and that jobs recover later. Most of all, history shows us that booms don't last forever and same goes with downturns – it's when people are most disheartened that rebounds begin.



By Pascale Jongejans
Secretariat FECMA

FECMA Council meeting in Antwerp. 20th May 2009

On this beautiful spring day the Fecma Council Meeting was held in the UAMS Building of the University of Antwerp, Belgium.
One day earlier the annual congress of the IvKM (the Belgium Credit Management Association) took place. This congress had an international twist because of the attendance of several Fecma council members and the variety of international speakers. The global subject was the Credit Crunch. On the next page we show you some pictures of the congress.

The Fecma council meeting had a diversity of agenda items. Amongst them the 2nd World Congress on Credit Management which will be held on 24th and 25th November 2009 in Dublin. This congress will be endorsed by the FECMA. Please check the website for more information (www.creditcongress.com). We will keep you also informed through the Fecma website (www.fecma.eu).

Credit Manager Day 2009:
Credit Management and Credit Crisis
May 19th, 2009

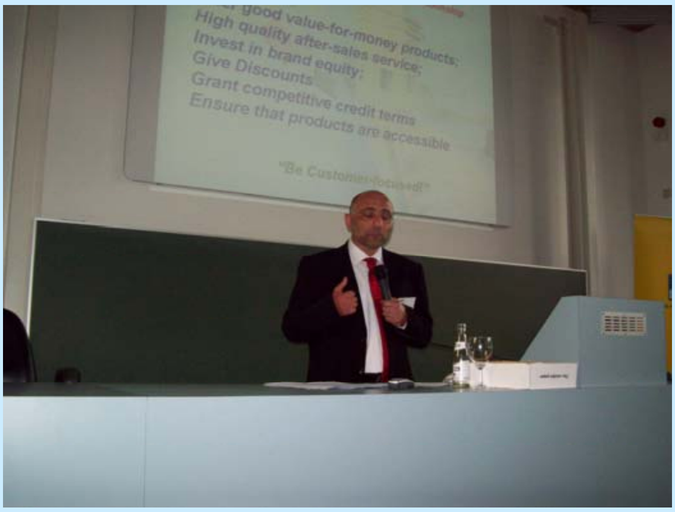
IvKM
Instituut voor Kredietmanagement vzw

After the welcome of Prof. Ludo Theunissen, President Instituut voor Krediemanagement (Belgium) several speakers entertained the attendances about several Credit Management subjects on the Crisis.

Ivan Van De Cloot, Chief economist ITINERA Institute asked:
Crisis? What crisis?

Raphaël Cecchi, Delcredere, talked about “How to determine country risk : methodological and practical aspects”.

Then Josef Busuttil (see picture on the Right) Director General, Malta Association of Credit Management, vice president FECMA spoke about the Mediterranean Region: Its business environment, culture and the aftermath of the credit crunch.



The congress ended by the presentation of Prof. Deva Rangarajan, Vlerick Leuven Gent Management School. He spoke about Sales and credit management: allies in difficult times?

FEDERATION OF EUROPEAN CREDIT MANAGEMENT ASSOCIATIONS

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The EU Commission fights late payment

by Josef Busuttil
Director General
Malta Association of Credit Management
Vice President - FECMA

On 17th July 1997, the European Commission published a Report on late payments in commercial transactions. This Report critically established that heavy administrative and financial burdens are placed on businesses, particular small and medium-sized enterprises (SMEs), as a result of excessive payment periods and late payment.

This Report also referred to late payment as the major cause of insolvencies, threatening the survival of businesses and resulting in numerous job losses. The same Report cited that differences between payment rules and practices constitute an obstacle to the proper functioning of the internal market by limiting commercial transactions between Member States.

To combat late payment in commercial transactions, the EU Directive 2000/35/EC entered into force on the 8th of August 2002 and in Malta it has been transposed into our law by Legal Notice 233/2005. The purpose of this Directive was to address the difficulties faced by businesses, especially SMEs, as a result of late payments, by giving them the statutory right to claim interest on commercial late payment and reasonable compensation for relevant recovery costs.

This Directive was compulsory to all the EU states. Each state had to implement the Directive as closely as possible and no room for interpretation was allowed. Therefore, it should have regulated all cross-boarder commercial transactions irrespective of whether they were carried out between private or public undertakings.

The EU Directive 2000/35/EC covers, amongst other issues, two key areas:

- It imposes a penalty interest, which starts automatically in the event of payment delay **at an interest rate of 7% above the set European Central Bank rate.**
- Furthermore, in accordance to this Directive, Member States must also ensure that **an enforceable title (court order or judgement) for unchallenged claims would be obtained within ninety days from when the legal proceedings are instituted in court.** This would help to speed up the payment recovery.

Despite the introduction of this Directive, late payment is still considered as one of the major difficulties faced by European businesses. In Malta, it is common knowledge that businesses in some industries request unreasonable credit terms – sometimes running to 120 days and these terms are still not being honoured to the detriment of the suppliers' cash flow.

In view of this, The EU Commission has conducted surveys and has undertaken consultations in Europe to understand better the implications of late payment on the business community.

MACM - The Malta Association of Credit Management, took an active role in this consultation exercise, both as the Maltese body representing the credit interest of the local business community, as well as a member of FECMA – the Federation of European Credit Management Associations.

Following the consultation exercise, the EU Commission has published a Report with detailed survey's results and analysis of the proposals made by European businesses and other interested parties.

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The Commission's Report states clearly that the public authorities are not leading by example and are paying their suppliers remarkably late. The figures published in the Report also reveal that although the suppliers are extending the public authorities better credit terms, as compared to those granted to business customers, public authorities pose to be worse than the business customers in terms of payment delays.

The Report asserts that… "Late payments by public administrations undermines the credibility of policies and contradicts declared policy objectives to provide for stable and predictable operating conditions for enterprises and foster growth and employment." It continues to state that… "Given the importance of public procurement in the EU (more than €1,943 billion per year) late payment by public authorities has a strong negative impact on enterprises, notably SMEs. Many public authorities do not face the same financing constraints as businesses and late payment in their case is avoidable. It should therefore be more severely sanctioned when it occurs."

MACM is pleased to note that the EU Commission has also highlighted an important issue that "diverging payment attitudes across the EU might hamper business participation in public tenders, which not only distorts competition and undermines the function of the internal market, but also reduces the capacity of public authorities to get best value for tax payers' money."

In a Press Release published on the 8th April 2009, the European Commission Vice President – Gunter Verheugen, who is responsible for the Enterprise and Industry, said that "Late payment by public administrations should be no longer tolerated." He went on to refer to the Commissions Proposal Paper intended to combat late payment in commercial transactions, whereby he said that "this proposal provides an important impetus to overcome the economic crisis by helping to avoid further bankruptcies and promoting businesses cash flow in order to reinforce the competitiveness of European enterprises in the long term."

In fact the proposed changes to the EU Directive 2000/35/EC related to late payments in commercial transactions are summarised as follows:

- Public authorities should pay within 30 days otherwise they will have to pay interest, a compensation for recovery costs and a flat rate compensation of 5% of the amount due, which kicks in from day 1 of the delay.

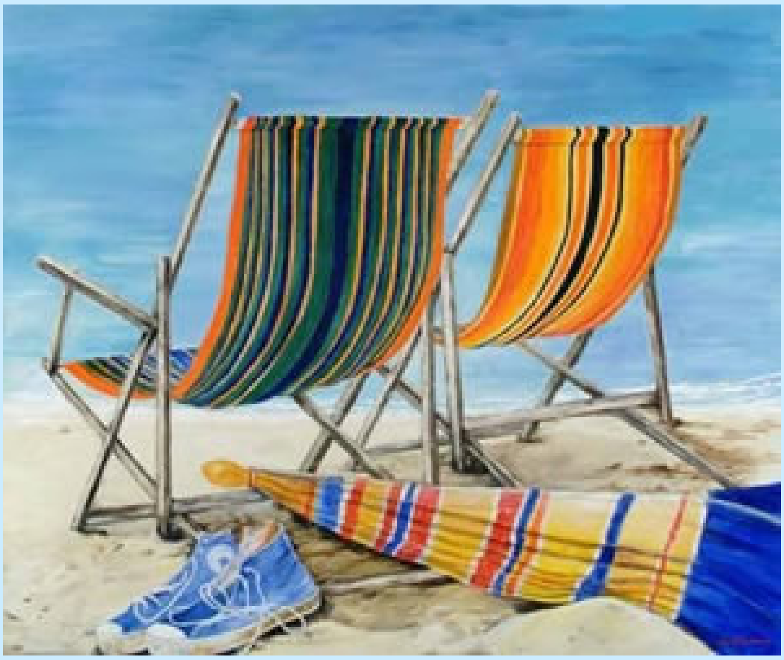
- The freedom to contract will be respected in business to business relations, however in case of delay in payment, businesses will be entitled to claim late payment interest and a compensation of recovery costs.

- The rules on grossly unfair contracts are tightened.

These proposals aim to at improving the cash flow of European business which is particularly important in times of economic downturn. These proposals should serve businesses as effective tools to combat late payment in commercial transactions by confronting late payers, including public authorities, to discourage them from paying late.

Nevertheless, charging interest in case of late payment is not the only tool available to businesses to manage their credit. There are other credit management strategies and practices that help ensuring sound cash flow and maintaining long-term profit.

All FECMA Council members wish you all a very beautiful summer!



Guidelines for the FECMA Newsletter
Articles of about 500 words, if possible with graphics or pictures.

Deadline for the summer 2009 edition
1st October 2009. Contribution expected from Denmark, Sweden and France to write an article for this edition. Other countries may feel free to contribute as well.