

## **TALK BY EDDIE HOBBS, FINANCIAL EXPERT, TO NETWORK WATERFORD**

**Arranged jointly with the Waterford City Enterprise Board,  
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Kindly prepared on behalf of Network Waterford by Pauline Bracken

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Eddie Hobbs gave a strong, informative and serious talk on the business climate both in Ireland and world wide, to the members of Network Waterford and to members of the interested public on Wednesday evening, 29 November. Eddie's light touch is well known and he used it to get over some of his points, but the main thrust of this address was a serious one. He was addressing managers of small businesses and sole traders in the main, and his primary advice was that they should diversify their assets in order to stay in business if the economic climate changes in Ireland, something it is set to do. When setting up a small business, the importance of a business plan was strongly emphasised, together with a sound estimate of expected sales and overall costs. This structural work is the first step towards success and out of small businesses, taking five as a total, three will go, one will rumble along and only one will star.

Up to date and efficient banking services come first and at least two weeks must be spent discussing the financing the business with the bank. Turnover predictions must be made, and competitor-reaction recognised, as without it there is a strong possibility of failure. Equity and raising capital is the next step. Forget the 'how to' books and prepare properly, otherwise you will be rearing an elephant in your living room without realising it, says Eddie.

Eddie Hobbs sees double digit inflation on the way, possibly in a few years' time, and he believes that it will last for a ten-year period. Petrol queues will return. We have a global economy built on cheap energy, and oil production is in decline. Demand is rising on account of what India and China are doing and the price of oil, which is now at six dollars a barrel, may well rise to twelve dollars. The United States looks down on what Europe is doing, but Europe has learned to manage diversity, which it has not and American power is dissipated outwards, while Europe is integrating. Social protection is better in Europe than the United States which has over-borrowed. They import a great deal and export less in The States. Cracks are to be seen in dollar security and a big structured shift is coming, with China reserving the Euro. The geopolitical risk is sky high.

Business people in Ireland need natural assets of 5 - 10% and aspects of availability can be explored on the Net under Luxor, or Gold Bullion. Two thirds of our energy costs are in transport, and alternative energy is not economic until oil reaches 250 dollars a barrel. We don't have nuclear energy here and Ireland has a law saying that we can't have it. The atom bomb will have to come back if we are to have energy, as solar panels are not suitable for Ireland due to its heavy cloud cover, and our efforts to spread the idea that energy in Ireland is sustainable are simply not valid, due to the poor type of building of our homes. Sweden and other northern countries build and insulate their homes properly and use less energy in the household. We should do likewise but we don't. The Irish are poor long term thinkers and they do not see the possibility of cash deposits being wiped out, or government bonds becoming worthless. Shares will have to keep pace with inflation. Food that relies on transport for its availability will fail and there will be a return to local community-based structures. Eddie Hobbs advises investment of half a business person's assets in natural assets, and says that if you have invested in a dollar-based commodity, you should sell it now. Conservation of money is useless as it depresses prices.

History informs us that Bismark created the concept of only living or working to the age of 65 years. It now means nothing as there is a new culture of semi-work for those after that age, i.e. paid work of a less responsible and possibly more enjoyable kind for older people. Today's newborn babies may live one hundred and one years and will have to be provided in later life, but how? We have to decide now:

How much can we commit?

How long will we invest?

What will be our rate after tax and inflation?

We don't know how long we are going to live, so planning provision is always difficult.

Don't invest in airline stock, Eddie advises, as anything that relies on transport will fail, giving a return to local community-based structures. Invest, rather, in oil and gas stocks, and in natural assets, gold, silver, platinum, uranium.

Beware of Equity release schemes. Your home is not an investment. It is simply and vitally your home. If you offer €90,000 Euros worth of your home, you will only get about €40,000 back 'to spend as you like.' A very small return for such a dangerous move as regards your welfare.

Eddie advised us not to get into Irish property right now, instead to choose natural assets. If the market flattens the migrant workers will go elsewhere and such properties will be left standing idle, with the same and rising maintenance costs. He said that property investment in Belfast or London would be a better move, particularly if the Northern situation is finally settled and government from Stormont returns. Northern Ireland is definitely an area of interest for investment as 60% of funding there is from Britain, and further money will be poured in if peace is reached. He also suggested a British Bank - Northern Rock Bank - which gives a 3.5 to 4% return after DIRT. Our banks pay half a percent for the same investment. If you have a mortgage check it out with National Irish Bank who may well be able to improve your situation for you. Six months life-style expenses are all you need as security.

Industry is under threat due to high energy costs, high labour costs, and a bloated public sector where people don't have to be productive or be accountable for whatever they do or don't do. . Anyone who wants a peaceful life where they don't have to strain themselves and will continue to get promotion if they go for it, should join the Civil Service right now and forget whatever type of work they have. This is the only route that jumps to mind if a person wants comfort in the double digit inflation climate, a sad commentary on the way the country is going. American firms such as Dell may pull out of Ireland and go elsewhere, like Poland, and Ireland should be aghast at the changes that a general pull-out of this kind would bring. Labour costs are rising in India. If China integrates, something that would take a long time, it will be better for the world as regards both peace and trade.

As regards the South-East, the upgrading of Waterford Institute of Technology into a University is crucial to its economy. You have to have good brains coming in and settling in an area this large if you want to attract serious large-scale investors in industry.

The speaker then took questions from the floor, even though he had spoken at length. Eddie Hobb's address was much appreciated by his audience and Network President Cecelia Carelse thanked him warmly for it.

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