

Charging your expenses

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Check that any client pays you realistic expenses, or else you will find that you are working for a much lower daily rate than you expected. This is particularly difficult if you are working abroad... Obviously you do not know what daily subsistence rate (also called DSA or per diem) is right for other countries. Some countries are very cheap to live in, others very expensive, depending mainly on factors such as the realism of the exchange rate and whether there is an unfavourable 'tourist rate'. You have to take it on trust from the consultancy firm that they will pay you a fair rate. The normal thing is for the consultancy firm to pay the rate established as fair by the European Commission or the United Nations. Some clients like the World Bank or the Swiss Government pay you on receipted expenses. The US government official subsistence rates can be found on <http://www.state.gov/www/perdiems/index.html>

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Some companies, however, agree your fee rate after some bargaining, and specify a subsistence rate in the contract. It is only when you arrive in the country that you find out that you are being paid half the rate you should be getting. They charge the client the full EC or UN rate and pocket the difference. This leaves you out of pocket or, at best, living in sub-standard accommodation where you cannot work comfortably.

One firm, doing its first overseas contract, tried to argue that it was only paying me for a five day week, so it only needed to pay my DSA for five days!

Other risks arise because all consultancy firms have a cash flow problem. They are paying out for consultants, and may have to wait several months for payment from clients. One consultancy firm had to pull a team of consultants out of a country because the World Bank owed them \$500,000 in fees. A nice dramatic gesture, but it was the freelance consultants who lost their jobs at a moment's notice. In other cases consultants have gone on strike because of non-payment.

Some firms try to put in the contract that payment will become due on acceptance of the inception report, the interim reports and the final report, because these are the stages at which they can invoice their clients. If you accept this, you are lending money to the firm for months at a time. You may not be able to invoice them at all for three months, and you could then wait for six weeks - if they pay on time. The risk of them going bankrupt or paying you late because of cash flow problems is unacceptable.

The cash flow problems mean, first, that consultants may well be paid late, and, second, that there is a high chance that a company will go out of business before they pay their consultants. I have had several close shaves, where the firm was not able to pay me for up to nine months. One went out of business immediately afterwards, and others nearly did.

The first rule is that you never, ever, spend your own money on travel or subsistence. You are not in the business of lending money to consulting firms. Not even the disreputable firms ask you to. Even when a foreign firm is employing you at short notice, they can always arrange for you to pick up your air ticket and travellers cheques at Heathrow.

The firms without a cash flow problem pay you in advance, but they are few and far between. Others may pay you at the end of the month. The worst you should accept is monthly invoicing and payment within 45 days of invoicing: I accept this from one firm which I consider totally reliable.

CURRENCIES

Currencies are also a variable. As a rule my contracts are in pounds, US dollars or Euros, but occasionally I am paid in Canadian dollars, DM, francs or Dutch florins. None of these create much of a problem, except that I carry the foreign exchange risk. In the last year, for example, if I made a contract in ECU, I ended up being paid a lot less than I

expected, because sterling fell against the ECU. On the other hand, I really made a killing in the early 1980s, when the dollar rose to \$1.10 = £1.

Of course I never accept a contract in non-convertible currencies like the Leone, the Tanzanian shilling or the Vietnamese dong. It can take months to get the money out of the country. In some countries there is a five-year 'pipeline', with payments waiting until the foreign exchange is allocated by the central bank. In others, a bribe is needed to get the money out.

Nor do I accept a contract in a currency subject to massive inflation, like the rouble. The exchange rate at the time I am paid may be half as good as it was when I agreed a price, leaving me seriously out of pocket.

In order that I can negotiate better, I have prepared a conversion table which I keep on my desk. This gives a range of monthly rates, and the equivalent for a 22 day month, a 26 day month, a five day week and a seven day week. This is converted to the equivalent in dollars and ECUs, and I update the exchange rates every few weeks.

FAX THEM

You can save yourself a lot of money and a lot of anger by faxing a confirmation of the contract terms. This should give the amount, the currency, and the basis of calculation. It should also state for instance 'DSA at UN rates'.