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SUGGESTION TIME

On February 28th the Berkshire Hathaway annual newsletter to shareholders was published.

As usual it was a fascinating read and as I have said in the past I highly recommend it to anyone with even a passing interest in investment.

(<http://www.berkshirehathaway.com/letters/2008ltr.pdf>)

Commentators will concentrate on certain parts of the newsletter but this year there is one part of it that I think should be of interest to Ireland Inc. (and I'm not referring to his highlighting his mistake in buying Irish bank shares.)

I would like to highlight the following sections:

“Our long-avowed goal is to be the “buyer of choice” for businesses – particularly those built and owned by families. The way to achieve this goal is to deserve it. That means we must keep our promises; avoid leveraging up acquired businesses; grant unusual autonomy to our managers; and hold the purchased companies through thick and thin (though we prefer thick and thicker).”

“In the regulated utility field there are no large family-owned businesses. Here, Berkshire hopes to be the “buyer of choice” of *regulators*. It is they, rather than selling shareholders, who judge the fitness of purchasers when transactions are proposed.”

“we hope to buy more regulated utilities in the future – and we know that our business behavior in jurisdictions where we are operating today will determine how we are welcomed by new jurisdictions tomorrow.”

I've highlighted these sections because I want to show people that there are things that Ireland Inc. can do to turn around our current situation. I want to show people that we have assets that we can sell. The financial position of the Irish State need not be close to bankruptcy. There is no need for us to end up like Iceland looking for the IMF to come in and support us.

It might appear that there is no connection between our financial position and Buffett's above comments but I believe that Ireland Inc. should consider selling the ESB to somebody like Berkshire Hathaway (through their utility arm Mid American electricity).

I believe that this would bring in some of the funds required to help us through this difficult period and I also believe that it could avoid some of the problems associated with the sale of Eircom. As Buffett says:

In 1995, MidAmerican became the major provider of electricity in Iowa. By judicious planning and a zeal for efficiency, the company has kept electric prices unchanged since our purchase and has promised to hold them steady through 2013.

MidAmerican has maintained this extraordinary price stability while making Iowa number one among all states in the percentage of its generation capacity that comes from wind. Since our purchase, MidAmerican's wind-based facilities have grown from zero to almost 20% of total capacity.

I believe that the trade union movement would react with initial horror but I believe that when their members look at the track record of the company involved it might be possible to convince them of the merits of doing it.

I know that we cannot just sell to Berkshire without considering other buyers (there are a few out there even in these credit constrained times) but I believe that if we made it a condition that a major penalty would apply to the buyer if the business was sold within a certain number of years (say 10?) then this would keep away traders and help to win public support.

I just hope that Buffett's recent experience of investing in Irish bank shares has not turned him completely against Ireland:

During 2008, I spent \$244 million for shares of two Irish banks that appeared cheap to me. At yearend we wrote these holdings down to market: \$27 million, for an 89% loss. Since then, the two stocks have declined even further. The tennis crowd would call my mistakes "unforced errors."

This crisis is undermining confidence in our current economic system.

There have been too many people prepared to turn a blind eye to unacceptable practice. Warren Buffett has tried to lead by example and in my opinion he is a role model because he concentrates on the long term good of society.

As he says himself:

Though the path has not been smooth, our economic system has worked extraordinarily well over time. It has unleashed human potential as no other system has, and it will continue to do so. America's best days lie ahead.

I just hope that we will be able to say that Ireland's best days also lie ahead!

