

Quebecor criticised for cutting costs for profit

By Alex Grant

Quebecor World has entered 2001 with its 12th profits rise in a row, but is under fire from US unions for closing an old World Color magazine plant in Salem, Illinois, with the loss of 880 jobs.

At its annual meeting, which carried the theme A Dawn of a New Era in Print Media, Quebecor's president and chief executive officer Charles Cavell said that all borrowings to finance the World Color acquisition in 1999 had now been paid back.

Cost savings from the merger will reach \$110m by the end of 2002, twice originally expected. Overall, sales have doubled to reach \$6.5bn and profits increased 129% to \$725m since the merger.

But local politicians and union members failed to save the huge Salem plant, which prints Good Housekeeping and Cosmopolitan. Closure is expected on June

2. Although the plant is profitable, Quebecor World says that "maximising asset utilisation and optimising value" meant the closure was inevitable, adding that another World Color plant at Effingham, Illinois, has an uncertain future.

A smaller plant at Erlanger, Kentucky, is also earmarked for closure at a

cost of 160 jobs.

"Quebecor today turned its back on the people of Salem, who have supported this plant ever since World Color Press opened it exactly 25 years ago this month," says a GCIU union spokesperson.

Quebecor has shown itself increasingly keen to expand outside the North American market.

The company has just bought Espacio y Punto, a pre-media company in Madrid. Its new plant in Recife, Brazil, is already printing magazines and directories, and Quebecor has just announced it is acquiring a book printer in Sao Paulo.

Describing Quebecor World as "the only truly global printer" and "the

'Print strong in times of trouble'

Quebecor World has chosen to reaffirm its faith in print with a specially commissioned report, *Print: the cornerstone of communications*.

Putting a brave and even happy face on the economic downturn, it says: "An established communications medium, print thrives in a boom economy, but the true strength of print is best demonstrated during economic downturns."

Researched by Wilkofsky Gruen Associates, the report claims that print demand has historically grown at 1.6 times the rate of economic growth. During a downturn, advertisers move to cheaper paper stocks, but don't necessarily cut print runs.

Whether this will hold true in the age of the Internet remains to be seen. But the report predicts that print demand in all of

Quebecor World's markets – books, catalogues, direct mail, inserts, telephone directories and magazines – is due to increase between now and 2005, and by up to 20% for retail inserts. In Europe, the rate of increase in print demand is forecast to be slightly higher than in Canada or the US.

However, demand for comic books, business forms and other directories in the US is forecast to drop

Macfarlane marginally up

Macfarlane, the packaging group that tried and failed to takeover British Polythene Industries last year, has recorded a marginal increase in sales from £196m to £198m and is in the black with profits of £7.7m after losses of £398,000 in 1999 having spent £2m on the takeover bid.

The welcome improvement will be sustained by a company restructuring at Macfarlane, which merged several divisions and warned of job cuts back in January.

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KBA profits cut

KBA's profits have fallen 2% because of a sudden visit from the German taxman last year to serve a bill on its Planeta subsidiary. So far in 2001, new press orders are running 77% ahead of last year, though turnover is down 7.5% because of a reduction in shipments.

KBA announced last month that sales had reached €1bn in 2000, 14% higher than in 1999, and that pre-tax profits were also higher. But the company warned that tax changes would mean net profits would be down slightly, so the 2% fall is hardly unexpected.



Karat expected to make a loss

Despite the North American downturn, KBA expects sales growth to be around 15% and profits growth to be in the region of 36% in 2001. However, after a very strong 2000, newspaper press sales are expected to fall.

Karat Digital is expected to make a loss of less than €10m this year, lower than

Resonia in talks with Xerox

Resonia Leasing, part of the ABB Swiss-Swedish engineering group, has revealed itself as the \$285m buyer of Xerox's equipment finance arm in Nordic countries, and is in talks with Xerox about buying more.

Loss-making Xerox is keen to dispose of more of its leasing and finance operations, which could bring in \$11bn. GE Capital could also buy some of Xerox's finance operations in other parts of the world. The Resonia deal has taken Xerox's cash balance to \$3.1bn, following

Donnelley closure

RR Donnelley is pressing ahead with the closure of its web plant in Des Moines, Iowa, where it employs 800 people, as warned last month. RR Donnelley is also closing its South Daytona plant in the US, but says it will not cut its UK operations.

Canon to branch out

Canon is looking to branch out from cameras, printers and copiers and buy IT or biotechnology companies in the US or Europe, the Japanese company has revealed.

US ad downturn

The decline in US advertising revenues is continuing. Dow Jones, publisher of the *Wall Street Journal*, has just reported first quarter profits of \$14.7m, down by more than 70%, because of a 24% drop in print advertising sales. Meanwhile, the *New York Times*' first-quarter sales have fallen from \$808m to \$778m, largely because of a 7% fall in ad revenues and rising newsprint costs. Last year, new economy ad revenue rose by 15%, but has since fallen sharply. In other papers, recruitment advertising is down to 1995 levels.

Nordson warning

Nordson Corporation, the American adhesives and coatings manufacturer which owns uv drying supplier Spectral in the UK, has warned of slow second-quarter profits growth because of "sluggish order rates". Five per cent growth is expected, but full-year profits will probably be lower than in 2000. The results are expected on May 21.



Business GROW-HOW



From Paul Holohan & the team at
Richmond Capital Partners Limited

DATA PROTECTION ACT

I own a medium sized printing business. I have heard that it may be a criminal offence not to be registered under the Data Protection Act. Is this true?

The Data Protection Act 1998 came into force on 1st March, 2000. However, because of transitional arrangements, its main impact will only begin to be felt after 24th October this year.

Under the 1998 Act, which applies to 'personal data' about identifiable living individuals, a company may need to notify the Data Protection Commissioner of any specific data it processes. These notification rules effectively replace the previous system of registration.

In general, firms need to make a note of the purposes of their processing, the data processed, the recipients and any overseas places to which data is transferred. This information is made publicly available on www.dpr.gov.uk.

Processing personal data for staff administration, accounts or advertising is exempt from notification.

If you hold personal data for any other reason, you may need to notify the Commissioner. You can do this via the Helpline on 01625 545740 or on-line.

There is a £35 fee. Failure to notify is an offence with fines up to £5,000.

One important aspect worth noting is that, with effect from 24th October 2001, employees will have the right to see all personal data held on them. This also applies to job applicants, self-employed workers or contractors, customers, suppliers and other contacts. Consequently employers must be careful how they, and all their staff, hold records. Beware of unofficial filing systems made by individuals as these fall within the remit of the Act.

These rules also apply to databases used for direct mail purposes which your company may also buy in or create for your own marketing activities. There is a confusion of information relating to this aspect of the Data Protection Act and the subject will be addressed in a future column.

The author accepts no legal responsibility for the advice given. Comments and advice given in this column do not necessarily represent the views of Printing World.

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MERGERS • ACQUISITIONS • DISPOSALS • JOINT VENTURES

BPIF points to slow start

British printers suffered a slow start to 2001, but are more optimistic about volumes of work, if not about profit margins.

The BPIF's latest Directions survey shows that 16% more printers expect trade to improve in the next three months than expect matters to worsen, and demand for retail-related

print is "nothing short of buoyant".

But more than half of all printers surveyed said they had cut staffing levels in the last three months and a majority plan to cut capital spending in 2001.

Coupled with several plant closures, this caution may help lessen the problems posed by

over-capacity in the longer term. Some 85% of printers say they have been working at below capacity in the last three months.

In all, 13% more printers say they are pessimistic than optimistic, but this compares favourably with most recent surveys. And three-quarters of the printers surveyed say that

Gannett drops

Gannett, the largest newspaper publisher in the US and owner of the Newsquest regional UK chain, blamed advertising slowdown and higher newsprint costs for a drop in income from continuing operations - \$174m, down from \$203m.

Gannett is the publisher of USA Today, the largest selling daily newspaper in the US with a circulation of 2.3 million.

Gannett's wholly owned UK subsidiary Newsquest, is the second largest

regional publisher in the UK with 15 daily newspaper titles, including the Oxford Mail, Bradford's Telegraph & Argus and Swindon's Evening Advertiser.

President and ceo Douglas McCorkindale says the company remained cautious about the domestic economic outlook for the rest of the year. However, he claims the British operations were doing very well. He says: "We have not seen any sign of a softening economy there. We're feeling

Paper giant down due to wood losses

By Fiona Fraser

North American forest products group Weyerhaeuser has reported falling earnings and sales for its first quarter due to "challenging market conditions", particularly in the Wood Products division.

Overall first quarter net earnings of \$133m were down from \$244m for the first quarter of 2000. Wood Products reported a loss of \$33m compared with earnings of \$138m for the same period last year, and lumber and oriented strand board prices reached ten-year lows.

Net sales for the first quarter of 2001 were \$3.6bn compared with \$3.9bn for the same period last year.

Pulp, paper and packaging earnings were \$167m compared with \$186m in the first quarter of 2000.

The company says it expects pulp prices to continue to come under pressure into the second quarter.

"Weyerhaeuser expects the slowing global economy to result in weaker demand for products in all its major pulp, paper and packaging product lines that will result in additional production curtailments in the second quarter," the company says.

However, Weyerhaeuser claims it has achieved \$33m

Legal notices

Compulsory winding up

The following cases are due to be heard at the Royal Courts of Justice, Strand, London WC2A 2LL

- **Lamberth Publishing House Ltd** Hazlems Fenton, Palladium House, 1-4 Argyll Street, London W1V 2LD on April 25 at 10.30am. Petition by HMS Customs and Excise
- **Rolec Services Ltd** Monica House, St Augustine's Road, Wisbech, Cambs PE13 3AD on April 25 at 10.30am

The following case is due to be heard at Liverpool District Registry, Queen Elizabeth II Law Courts, Derby Square, Liverpool

- **Leicester Journal Ltd** Suite 1.2, Clarendon Park, off

Clumber Avenue, Nottingham on May 14 at 10 am

Meetings of creditors

- **Package Ltd** at Kings House, 14 Orchard Street, Bristol BS1 5EH on April 23 at 11.30

Notices to creditors

- **Hexagon Printing Ltd** Creditors to send claims to Colin George Wiseman, Deloitte & Touche, Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR

Final meetings

- **Swale Fine Paper Ltd, Swale Fine Paper Sales Ltd, Swale Technical**

