Flextronics transfer leads to Xerox job cuts

By Gareth Ward

Staff at Xerox, Mitcheldean, are to bear the brunt of job losses related to the transfer of the office products manufacturing business to Flextronics in Singapore. About 1,300 jobs will go.

Xerox announced the $220m sale last week which will mean that the company effectively outsources the manufacture of its copiers business to the electronics components specialist. The deal shifts $1bn of manufacturing costs from Xerox.

The sale comes with a five-year deal to supply Xerox with these products which will continue to be badged as Xerox machines and sold through its channels. Manufacture of the high end DocuTech and DocuColor machines is not being transferred.

The transfer is expected to take 12 months to complete with the deal to be completed in February.

Under the terms of the deal, Flextronics has bought four sites and taken on 3,600 staff, about half Xerox's total manufacturing capability. These are in the US, Mexico and Canada. Its factory in Venray which employs 1,250 is also included in the deal, and there are expected to be around 100 jobs lost from this site.

However, it is the UK factory in Gloucestershire that is most severely affected. It has produced toner drums and other components for Xerox for many years and has gradually absorbed other UK manufacturing units.

It too is transferred to the Singapore company, but there will be some 1,300 job losses as a result. There will be 700 jobs lost from Xerox's related US operations.

Flextronics is a $12bn a year company which produces printed circuit boards and components for a number of companies. As well as Xerox, it has tied up a deal with Motorola this year.

It has factories across the globe, but is suffering as a result of the downturn in demand for electronic products. Its PCB business in particular has been hit. It cut 1,500 jobs from its Swedish operation as a result.

The move almost completes the financial turnround of Xerox, something welcomed by the financial community which marked Xerox shares up 34¢ to $7.78 following the announcement, Xerox chief executive Anne Mulcahy says: "Our agreement with Flextronics will redefine our office manufacturing strategy."

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In brief

- Xerox cuts hit Mitcheldean
- More than 1,000 jobs hit
- Manufacturing goes to Far East

Xerox sheds cartridge operation

Xerox is selling the entire inkjet printer cartridge manufacturing operation it installed at its Dundalk factory in Ireland, last year. The sale signals the demise of what should have been a flagship operation for Xerox.

The company spent $40m on the facility but is now putting the whole operation up for sale by auction and private tender having failed to sell the operation as a single item.

The 17,500sq m factory offers state of the art clean room facilities covering 3,300sq m. Henry Butcher and Dovebid are handling the disposal. The key items are being sold by private treaty, the remaining lots will be sold by a webcast auction on November 13.

The sale relates to Xerox's decision to quit the Soho market in favour of high end high value systems and equipment.

It is a vast about face for Xerox which only began to build the works in 1999, promising at the time that it would eventually employ 3,600 and help Xerox attain a 10% market share in inkjet for desktop.

The items being sold include equipment to manufacture and test the silicon wafers used in inkjet print heads. There are four inkjet printhead assembly lines in the sale. The treaty sale closes on October 30.

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In brief

- Xerox selling off Dundalk factory
- The result of leaving the Soho sector
- Webcast auction set for November 13

DMA dismisses fears

By Alex Grant

The Direct Marketing Association has dismissed fears that deregulation of postal services could lead to format pricing, smaller envelope sizes and shorter print runs as "a red herring."

"Those who say that format pricing is just around the corner are barking up the wrong tree," says the DMA's director of development David Rowbottom.

"We welcome more competition in the postal market as it brings greater choice and an overall increase in efficiency and performance."

Mr Rowbottom was reacting to a one-year, three city letter delivery licence given to business services group Hays – the first time ever that the Royal Mail's monopoly on letters with postage below £1 has been broken (*Printing World, September 24*).

Some fear that Hays will penalise those who send larger or unusually sized envelopes through the post, forcing the Royal Mail to follow suit.

"Any changes to the Royal Mail's pricing policy will have to be consulted on through Postcomm [a new industry regulator]," he says. "I see no grounds for the fears that format pricing will ever be introduced.

"There is format pricing in Germany, but only because of mechanical problems with sorting machinery. Format pricing only has a minimal presence in four other European countries. Introducing format pricing here would fly in the face of Europe."

The DMA – of which Hays is a member – agrees that larger envelopes can lead to a higher response rate to direct mail and has been lobbying Consignia, the Royal Mail's parent company, for more automated sorting of A4-sized and larger envelopes.

In brief

- DMA dismisses pricing fears
- Welcomes market competition
- Raps Consignia's poor showing

Photobition in talks

Alchemy, the venture capital funder that tried and failed to buy the Rover Cars business, is reported to be in league with Photobition founder Eddie Marchbanks over a bid for the quoted display print network.

Photobition's share price has collapsed and Mr Marchbanks has indicated his willingness to take the firm into private hands, but shareholders have been wary about the price they might be offered.

Shares at the end of last week were worth just 7.5p, putting a value of £7.4m on a company with a stock market value of £536m last year.

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Web Ikon lost

The collapse of online print purchasing has claimed another victim in Ikon, a major supplier of office supplies and print in the US. It has pulled the plug on its web-based printing activity. The move is part of deep cost cutting measures which will reduce head count by 2,600 by the end of next year and will see other unit closures across the group.

Checking directors

Experian, which charges £6.95 to run a director search, has added details of 3.2 million company directors to its financial information database. 'Businesses have no excuse for not protecting themselves from the dishonest and unstable,' says Steve Kilmister, md of Experian's business Information division.

UBM review

United Business Media has warned that the current ad climate and wholesale changes in its business means that the dividend due to shareholders is to be reviewed. The company has paid 22.2p a share for a number of years, but says that this is likely to be changed now.

Future wins debt facility

By Gareth Ward

Suppliers to Future Publishing breathed both a sigh of relief and were waiting anxiously for further news as the cash strapped publisher announced a new debt facility and a rights issue.

The rights issue is designed to raise £33m while the Bath group has also negotiated a £35m revolving debt facility.

This will ease the concerns of printers to the group that have seen 40 magazine titles close already this year. Even after the refinancing has been completed, Future will have £25m of outstanding debt.

The cash will ensure that the company remains in control of its own destiny having flirted with a sale to rival publisher over the summer.

However, there will be some anxiety in case the company decides to trim its portfolio further. The computer and games sector which is the focus of Future's activities has been hit badly by the decline in advertising this year, but its real problems stem from an ill-timed venture into the US.

Chris Anderson, Future's founder who was involved in the US adventure, steps down as chairman but retains a non-executive role. Roger Parry, chief executive of advertising group Clear Channel, becomes chairman in his stead.

Mr Anderson has engaged Morgan Stanley and Beeson Gregory, that have underwritten the rights issue, to find buyers for his 10.2million shares.

The extent of Future's problems were underlined in six month figures showing a £106.8m (£14.2m) pretax loss on turnover of £90.5m (£110.2m). Continuing operations generated an operating profit of £1.9m (£5.9m).

In brief
- Future Publishing wins more loans
- Eases concerns of suppliers
- Worries over further cutbacks

legal notices

Appointment of liquidators

● **Netsure Ltd** Instant printer. Liquidator: RA Segal, A Segal & Co, Albert Chambers, 221-223 Chingford Mount Road, London E4 8LP

● **Kravin Entertainments Ltd** Design and printing of promotional items. Liquidator: W Paxton, Paxton & Co, 6 Market Street, Newcastle upon Tyne NE1 6EF

● **APT Bristol**, previous name of company APT Printing Services Ltd Printer. Liquidator: D Bottomley, Wilson Phillips Ltd, 71 Preston Rood, Blackburn BB2 6AY

● **Forest Print Services**: trading name **Four Seasons Greetings**. Previous name of company: **Birthright Ltd** Printer. Liquidator: RI Williamson, Campbell, Corssley & Davis, 348-350 Lytham Road, Blackpool FY4 1DW

● **Goodwish Ltd**: trading name **Kall Kwik Centre 288** Printer. Liquidator: L Bednash, Pearl Assurance House, 319 Ballards Lane, London N122 8LY

● **Rollerflex Ltd** Printing roller manufacturer. Liquidator: DF Wilson and JNR Pitts, Wilson Pitts, Devonshire House, 38 York Place, Leeds LS1 2 ED

● **Design 2 Print Ltd** General printer. Liquidator MJ Carter, Carter Backer Winter, Hill House, Highgate Hill, London N19 5UU

● **The East Lancashire Paper Mill Co Ltd**, **East Lancs Paper Mill (Holdings)**, **Blue Thane Ltd**, **Glen Target Ltd** Paper manufacturers. Liquidators: G Wilson, c/o Andersen, 1 City Square, Leeds LS1 2AL and M Fishman, c/o Andersen, 180 Strand, London WC2R 1BL

● **The Print Connection Ltd**, previous company name, **Print-X-Press (UK) Ltd**. Printer. Liquidator AJ Galloway, BDO Stoy Hayward, Mander House Wolverhampton WV1 3NF

● **Thinc Digital Media Ltd**, previous name of company, **Bestload Ltd** Digital marketing. Liquidators: B Hoffman and I Yerrill, Edelman Business Recovery, Kent House Station Road, Ashford, Kent TN23 1PP

Meetings of creditors

● **Premier Design & Print Ltd** at 6 St Stephen's Court, 15-17 St Stephen's Road, Bournemouth, Dorset BH2 6LA on October 2

● **Copyspeed Printing plc** at the Holiday Inn, South Mimms, Potters Bar, Hertfordshire EN6 3NH on October 9

● **Good Press Ltd** at Smith & Williamson, Prospect Hose, 2 Athenaeum Road, London N20 9YU on October 10

● **PC Printers** at Clarke Bell, Regency Court, 62-66 Deansgate, Manchester M3 2EN on October 12

● **Booth & Heywood Ltd** (trading as **Printapack**) at David Horner & Co, 2A Pioneer Business Park, Clifton Moor, York YO30 4TN on October 10

Notices to creditors

● **ABC Paper Products Ltd** Creditors to send claims to JR Tickell and DJ Waterhouse, PricewaterhouseCoopers, Hill House, Richmond Hill, Bournemouth BH2 6HR by October 13

● **Design 2 Print Ltd** Creditors to send claims to Carter Backet Winter, Carter Backer Winter, Hill House, Highgate Hill, London N19 5UU

● **The Print Connection Ltd** at BDO Stoy Hayward, Mander House, Wolverhampton WV1 3NF on October 31

Final meetings

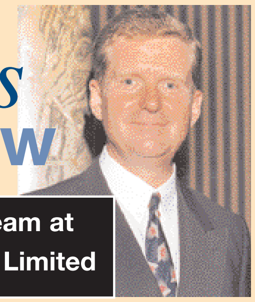
● **Aztec Printing Ltd** at Valentine & Co, 4 Duncaste Court, 14 Arcadia Avenue, London N3 2HS on October 24 at 10am for members and at 10.30am for creditors

● **Colortone Repro Services Ltd** Printing. Liquidators: J Russell and A Cooper, Poppleton & Appleby, 93 Queen Street, Sheffield S1 1WF

● **RDL Printing Ltd** at Bishop Fleming, 19 Portland Square, Bristol BS2 8SJ on November 12 at 10.30am for members and at 11am for creditors

● **FM Digital Color Ltd** at HLB Kidsons, Bank House, 8 Cherry Street, Birmingham B2 5AD on October 31

Business GROW-HOW



From Paul Holohan & the team at Richmond Capital Partners Limited

Business ADVICE

TRADE SALE OR MBO?

I am considering the sale of my labelling business and would prefer a trade sale. I am keen to see the business grow and prosper but I have some concerns. I have heard that management buy-outs are a poor option — is this true?

"Management buy-outs (MBO) act as a catalyst for change and improve company performance" according to the European Private Equity and Venture Capital Association (EVCA).

Improvements in competitiveness, employment rates, remuneration and creation of shareholder value are also features of the majority of MBO's. In a recent report on MBO's, sponsored by Price WaterhouseCooper and 3i, turnover growth is solid at more than 15% in years two and three following completion.

Of course it is difficult to generalise but an MBO certainly looks a feasible option for you and should be considered alongside a trade sale.

Concerns over asset stripping, job cuts and cost reduction programmes are typical of trade sale situations. It is important to check the strategy of the acquirers and their plans for the business post completion.

With an MBO a cost cutting approach will simply not work. Good investments will be produced through growth strategies. 60% of MBO's produce increased employment opportunities — an indicator that profitable growth is deliverable.

The down side of MBO's can be the debt needed to structure the transaction which has to be serviced through cash generation.

Ask your advisor to suggest the best approach for the marketing of your business. Every business is unique so there is no 'golden rule' here but an MBO is a feasible and potentially attractive option for you.

Good luck!

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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