

Manufacturing Market™ INSIDER

inside the contract manufacturing industry

Vol. 19, No. 6

June 2009

Strange Cases of Insourcing

As demand levels sank during the downturn, there was talk of the possibility that OEMs would pull back manufacturing from their EMS supply base to prop up their internal utilization rates and keep their own workers busy. Of course, such insourcing would only apply to those OEMs who still had retained internal manufacturing capacity. It is unclear how many OEMs have decided to insource, but based on reports from two major providers, **Jabil Circuit** and **Celestica**, insourcing has not been widespread. On its Q1 earnings conference call, Celestica reported instances of customers looking at insourcing on a case-by-case basis. But Celestica President and CEO Craig Muhlhauser said that overall the company did not expect a significant effect from this activity. Earlier, Jabil disclosed that two customers, one of which is **Nokia**, had decided to insource (Dec. 2008, p. 4). Jabil President and CEO Tim Main declared that insourcing was not a threat to his company.

Insourcing may not be a threat to individual providers, but it has made an impact on the EMS industry if only through the action of one OEM, **Nokia**. The mobile-phone giant has stopped using contract manufacturers to supply it with cell-phone engines (April, p. 5). This move represents the loss of billions of dollars of industry

sales; one market research firm estimated the revenue reduction at more than \$5 billion. The lost **Nokia** business deepens the hole that the industry must climb out of before growth can resume.

Nevertheless, there is growing evidence that demand levels are stabilizing. In that event, insourcing becomes less attractive for OEMs who do not want to cut back any further on manufacturing capacity. Has insourcing now run its course? Not completely. And herein lie the tales of two new cases of insourcing, both of which are so uncommon as to seem strange.

Ericsson to Buy Elcoteq Operations

Elcoteq (Luxembourg) has signed an agreement to sell the majority of its operations in Tallin, Estonia, to **Ericsson**, which will acquire the Elcoteq operations that currently manufacture Ericsson products in Tallin. Ericsson says it is taking this step to secure

manufacturing capacity in Estonia. The company's decision results from Elcoteq's restructuring efforts and consolidation of its manufacturing in Europe. In this consolidation scheme, the Tallin plant will no longer function as a high-volume site for Elcoteq.

This prospective transaction is an unusual form of insourcing. Here the customer is taking back its outsourced production by buying it instead of by the customary means of shifting that production to in-house facilities. *MMI* presumes that the latter option was unavailable to Ericsson. Although this case may draw more attention to insourcing, *MMI* believes the unusual nature of this deal argues against presenting it as more evidence of the sort of insourcing that gained notoriety through **Nokia's** use of it.

Indeed, despite this prospective purchase, Ericsson says its outsourcing strategy for volume production remains in effect. An Ericsson spokesperson, Minako Nakatsuma-Olofzon, described the purchase as a one-time

Some articles in this issue

Cover story	1
Two cases break a cardinal rule of outsourcing.	
Expanding in a Recession	3
Solar Win for Jabil	4
Jabil Sees Stabilization	6

solution.

Ericsson outsourced its volume production more than ten years ago. According to the company's 2008 annual report, Ericsson has outsourced the major part of production of sub-systems such as circuit boards, RF modules and antennas to a group of EMS companies. Most of the assembly, integration and testing of modular subsystems into complete system nodes such as radio base stations and mobile switching centers is done in-house.

Ericsson will purchase the majority of the machinery, equipment and materials of Elcoteq's Tallin operation in a transaction valued at about 30 million euros. About 1,200 Elcoteq employees out of a total of about 1,600 will join Ericsson. The agreement also includes transfer of the lease agreement concerning manufacturing premises.

The revenue generated by the business being sold is less than 200 million euros a year. Elcoteq's Tallin plant is supplying radio access products to Ericsson's 2G and 3G base-stations together with optical and transmission equipment, the Ericsson spokesperson confirmed. Roughly 75% of the plant's production goes to Ericsson. (It's not exactly 75%, the percentage of Ericsson employees, because of differences in product mix.)

Elcoteq has reduced its manufacturing capacity through a restructuring plan launched in January to adapt to radical changes in the market situation (Jan., p. 7). As a further step in this process, Elcoteq has determined that one major plant in Europe is enough to meet current and short-term forecasted volumes. "The reason behind that is the declining volume from our customers in Europe," Tommi Pettersson, president of Elcoteq's Communications Networks business area, told *MMI*.

The provider will concentrate European high-volume manufacturing in Elcoteq's plant in Pécs, Hungary. "In

Pécs, we have a lot of high-volume manufacturing. As a base, it's a much larger site than Tallin was. So that's the reason why we selected Pécs instead of Tallin," said Pettersson. The Tallin plant is a 24,000-m² facility, while Elcoteq's website lists total floor space at 53,000 m² for the two plants in Pécs.

Elcoteq will continue to operate in Tallin on a smaller scale. Other existing customers of the Tallin plant will be collocated there with Ericsson in a physically separate operation. This operation will act as a specialized plant within the Tallin plant for Communications Networks customers, typically requiring NPI and engineering services.

The transaction is expected to close by the end of July and requires approval by the relevant antitrust authorities. It will not have an impact on Elcoteq's profitability on an annual basis.

Elcoteq retains Ericsson as a customer since deliveries to Ericsson continue from other Elcoteq plants.

NCR Insources ATM Production

NCR is insourcing the manufacture of its ATMs for North America as well as for Brazil, Latin America, and the Caribbean. The company is setting up a new plant in Columbus, GA, to take on all North American ATM manufacturing. Last year, about two-thirds of NCR's ATMs sold in the U.S. were made in the U.S. by **Flextronics**. The remaining one-third was provided by a number of other companies in low-cost areas.

NCR expects that the new plant in Columbus, GA, will begin manufacturing early in the fourth quarter. This plant will be housed in a 345,000-ft² building, formerly a **Panasonic** battery plant. The City of Columbus will use stimulus funding to purchase the plant building, which will be leased back by

NCR. NCR has told the state that the plant would employ 870 workers within five years, but the company intends to have hiring ramped up by the end of 2010 and aims to reach the employment goal in less than five years.

In January 2007, NCR awarded a five-year contract to **Solectron**, acquired by Flextronics in October 2007, to manufacture NCR's ATMs and payment solutions in the Americas and its self-checkout systems globally. NCR was to transfer its Americas manufacturing to Solectron's sites in Columbia, SC; Guadalajara, Mexico; and Jaguariúna, Brazil, by the end of 2007.

A change of product models played a significant role in NCR's insourcing decision for North America, according to NCR spokesperson Jeff Dudash. Last year, NCR introduced its SelfServ ATMs, featuring intelligent deposit, whereby the ATM scans deposited checks, eliminating the need for an envelope. "Certainly, these new ATMs are much more complicated, and for us we felt like we can better respond to customer needs more quickly and more effectively by insourcing the manufacturing work," said Dudash.

But the decision to set up a new plant in Georgia was not made in isolation. NCR also announced at the same time that it will move its headquarters to Duluth, GA. Some 1,250 additional jobs will result from this move along with centralizing functions in the new headquarters. But NCR has committed to creating over 2,000 jobs in Georgia over the next five years. Clearly, the plant's jobs are part of this commitment. According to press reports, NCR needs to bring in more than 1,800 jobs to qualify for a newly enacted state tax credit. Tax incentives were one of the factors that NCR took into account in creating the plant, said Dudash.

Besides financial incentives offered by the state of Georgia, there were other things that drew NCR to Georgia. NCR was also attracted by the state's

infrastructure, academic partnerships there, and the quality of its workforce, especially in Columbus, said the spokesperson.

When asked whether NCR can manufacture SelfServ ATMs at or below Flextronics' cost, the spokesperson said NCR has not provided any details about this aspect. However, one analyst believes he has the answer. "They can't possibly have the same costs as Flextronics," said Alexander Blanton of **Ingalls & Snyder**. His view is that tax incentives were NCR's motivation for insourcing.

In Brazil, NCR will create a new manufacturing and R&D center to produce advanced ATMs for Brazil, Latin America and the Caribbean. The new facility, which will initially employ about 250 people, will expand over time to include self-service technologies for a variety of industries. NCR's ATM production in the region is currently outsourced to Flextronics, which

is manufacturing for NCR in São Paulo, Brazil. ATM manufacturing and product development will be moved to this new facility, and production is slated to begin by December 2009.

There were two primary factors in establishing this facility, according to NCR spokesperson Richard Maton. By combining manufacturing, design and engineering, NCR can react to the specific needs of the Brazilian market faster and more efficiently. Second, as manufacturer in Brazil, NCR will receive certain tax benefits that the company was not eligible for when its manufacturing was outsourced.

NCR confirmed that it will remain a customer of Flextronics.

A Cardinal Rule of Outsourcing Broken

These two cases may be outliers, and indeed Blanton thinks NCR's decision to insource is "a one-off event,

not the beginning of a trend." But they do cast some doubt on what had been one of the fundamental beliefs of the EMS industry. An industry principle says that once an OEM transfers a manufacturing capability to an EMS provider, that capability will stay outsourced. EMS providers have always believed that after a customer gives up a manufacturing capability, there is no way that the customer will want to reclaim that capability later on or even be in a position to.

As Ericsson showed, there are circumstances that can compel an OEM to buy an EMS operation that is building its products. And the case of NCR flouts the principle that OEMs will never restart their own operations after outsourcing that capability.

Two cases do not make a trend. But they do lead to the conclusion that there are exceptions to the cardinal rule which says strategic outsourcing is a permanent solution.

Market Paradox

Expanding in a Recession

Expanding a company's capacity during a recession would seem to be an oxymoron. Yet *MMI* has come across four EMS companies that are adding floor space or have recently done so. Why would these companies enlarge their production area when many other providers are in a defensive posture? It turns out that each company has a good reason for doing so. Here are four cases where it made sense to expand in a recession.

CEI Contract Manufacturing (Singapore). In November 2008, publicly traded CEI bought a second factory in Batam, Indonesia, doubling gross production space there to around 80,000 ft². The company has been planning for facility/capacity expansion over several years, and it was for-

tuitous that a factory next door to CEI's existing Batam plant became available during the crisis period, says CEI managing director Tan Ka Huat. By linking the two factories, CEI picked up additional production space of about 20,000 ft² that had been taken up by a driveway between the two buildings. The company did not rush to begin refurbishing the new factory. Renovation will start in July, and the factory will be ready for operations in October.

The new facility "will serve to support both PCBA and equipment manufacturing activities for new customers," says Tan. CEI acquired an equipment design and manufacturing business, **IC Equipment Singapore**, in January 2008. CEI needs more equipment manufacturing space, which new Batam facility can provide. Still, CEI expects that only about 10% of the new factory's business this year will come from equipment versus about 90% from PCBA. Tan wants to

see this business tilted more toward equipment in 2010 and beyond.

CEI is winning new business that will create demand in the new factory. "CEI continues to secure business from mainly U.S. and European OEMs in the analytical instruments, medical products and equipment, and agri/food processing sectors," he reports. While OEM outsourcing strategies continue to produce demand within CEI, this activity has been somewhat muted by the recession.

"We are preparing for expansion in all our facilities. It is really a matter of positioning for the upturn while managing prudently existing business and customers," says Tan.

Cirtronics (Milford, NH). Last fall, Cirtronics leased an additional 75,000 ft² within the building that houses its operations, and by December the new space was outfitted for production. Total floor space grew by 75% to 175,000 ft². The increase was substantial, but Cirtronics had its reasons.

The company had the right of first refusal when the additional space became available in the summer of 2008. With growth in mind, Cirtronics wanted to ensure that the space would not be taken by someone else. "We felt very confident that the business was going to continue to grow, and that it was time for us to secure that space so we wouldn't lose it," says Paula Papineau, head of sales and marketing at Cirtronics. She added, "We felt very positive that we would need it, not all right now, but we would need it over time." There was a financial incentive as well: the company was able to negotiate a cost-saving rate in the new lease. Also, the majority of the new space was on the building's first floor. This arrangement appealed to Cirtronics, which is in a two-floor facility.

With the additional space in hand, the provider changed to a new factory layout, which included room for growth in box build and some key process areas. Production floor areas were separated into two distinct areas for leaded and RoHS, and further lean manufacturing practices were put in place.

"Our business is soft this year like everybody else's in the industry. However, we have seen an uptick in our medical business...and some of the military space business as well," says Papineau. Cirtronics expects that sales for its fiscal year ending June 30 will be down from fiscal 2008 sales of \$46 million. Still, the company is seeing a lot of good signs. "We're quoting like crazy now," she says.

Connor Solutions (Houghton-le-Spring, UK). Connor, a British provider, has leased and occupied a 38,000-ft² facility five miles from Connor's Houghton-le-Spring site. The new facility, Connor's second, more than doubles the floor space available to the company. Connor added the facility to consolidate its bulk storage area and to allow for increasing its box build capacity in the near

term. Currently, 35% of output is box build, and Connor sees increased need for this requirement. The provider intends to expand its existing site, but that's an 18-month project. Meanwhile, the new facility will allow Connor to continue grow in the short term.

Why would Connor need more box build capacity during a recession? According to the company, opportunities are arising from both existing clients pulling products back from China and new business being won at the expense of competitors. "We are seeing opportunities in a number of key markets where customers are perhaps concerned by the viability of their existing providers or have been forced to look out to the market as a result of their existing supplier not being able to trade through these difficult times," says Richard Whitehead, business development director at Connor Solutions. "We are also seeing potential customers starting to fully evaluate and understand the total cost of trading in China, and some are now seeing marginal benefits to their business when all factors are taken into consideration. This is especially true for high-value, lower-volume propositions."

Connors' sales in the first and second quarters were down year over year. But the company expects a return to 2008 revenue levels in Q3 and Q4 through addition of new customers and some customer-forecast recovery. Connor bills itself as the UK's second largest privately held EMS provider.

Sibex Electronics (Safety Harbor, FL). Sibex is building a 52,500-ft² manufacturing facility in Homosassa, FL, to replace its existing 30,000-ft² plant there. The provider will increase both PCBA and box-build capacity with the new facility, which will be operational next year. Why did Sibex start building this new facility during a recession? The facility will enable Sibex to "better support our customers' manufacturing requirements – im-

proved productivity, quality, service and flexibility," says David Arnaud, director of sales and marketing at Sibex. The anticipated growth for the new facility will come from existing customers' increased demands and new customers.

Medical and military are two of the market sectors where Sibex expects to find growth for the facility. In both cases, there is manufacturing that will remain in the USA. Another targeted sector is LED technology, in which Sibex is well versed. "Furthermore, we are seeing offshore outsourcing being pulled back in the USA for better control and quality. Plus offshore costs are increasing, and numerous offshore facilities are closing, not to mention that even some domestic contract manufacturing companies are closing too," says Arnaud.

Sibex expects to employ over 150 people in the new facility next year, up from 65 presently working in Homosassa. According to Arnaud, the privately held provider has enjoyed excellent sales growth the past two years as reflected in the increase of Sibex's workforce from about 40 employees two years ago to 105 at present.

Despite a global recession, four providers in three different regions of the world have decided to add floor space in anticipation of growth. Each company brings a different set of circumstances to its expansion, yet each sees the need for more space.

News

Solar Win for Jabil

Jabil Circuit's solar business received a boost with a new multiyear contract to build solar panels for **SunPower** (San Jose, CA), a manufacturer of solar cells, solar panels and solar systems. Jabil (St. Petersburg, FL) will supply panels for SunPower's North American solar market and will begin manufacturing the customer's panels

in Mexico in the second half of 2009.

This agreement is the first step in SunPower's long-term strategy to implement regional panel assembly for improved customer service and reduced costs. The company is also continuing to evaluate establishing localized manufacturing facilities in large solar markets in the U.S. In SunPower's Form 10-K for the fiscal year ended Dec. 28, 2008, the company reported that almost all of its solar cells are combined into solar panels at its solar panel assembly facility in the Philippines. SunPower also stated that it uses a subcontractor in China for panel manufacturing.

For fiscal 2008, SunPower recorded sales of \$1.43 billion, of which 36% came from shipments to the U.S. The company's revenue consisted of \$614.3 million from its components segment and \$820.6 million from its systems segment.

Separately, Jabil will collaborate with SunPower in the company's participation in the Solar America Initiative, a U.S. Department of Energy effort to accelerate the development of advanced solar energy technologies. SunPower has participated in the initiative since September 2007. SunPower and Jabil intend to evaluate setting up panel and system manufacturing locations in the U.S.

Jabil is in the process of ramping production capacity to manufacture solar panels in Europe and North America for customers in those markets. The provider gained a foothold in the solar industry with an earlier agreement to produce solar modules for Canada's **Day4 Energy** (Dec. 2008, p. 8).

More new business... **Plexus** (Neenah, WI) has identified the customer for a mechatronics program that the provider first mentioned in its October 2008 earnings press release (Dec. 2008, p. 5). That customer is **Coca-Cola**, which has entered into an

agreement with Plexus for the manufacture of a new proprietary fountain dispenser able to pour more than 100 different beverages from a single unit. The program involves complex supply chain management and integrated manufacturing services, and Plexus will utilize its new mechatronics facility near Appleton, WI, and its Juarez, Mexico, facility. Plexus said it has been developing capabilities in mechatronics system manufacturing over the past several years. In addition, Plexus has secured a mechatronics contract to develop **QIAGEN's** automated screening system for the preprocessing of human papillomavirus DNA samples. The HPV virus has an established link to cervical cancer. This contract for the final development phase builds on the companies' existing collaboration, which led to the first prototypes. ... Under a new long-term agreement, **Kimball Electronics Group** (KEG), the EMS subsidiary of Kimball International (Jasper, IN), will manufacture electrical devices for Denmark's **Grundfos**, a leading pump manufacturer. As the strategic manufacturing partner for Grundfos, KEG will supply assemblies that will be used in energy-saving pumps and pump systems throughout the North American, European and Asian markets. Initial production is slated to start next year at KEG's Poland facility. ... **Aviation Communication & Surveillance Systems**, or ACSS (Phoenix, AZ), a supplier of safety avionics systems, has renewed its business with **CTS** (Elkhart, IN) by awarding it a three-year manufacturing contract. CTS Electronics Manufacturing Solutions will become the prime supplier of manufactured products from design support, NPI and development, to high-level assembly. This new contract followed successful manufacturing support for several of ACSS's key products. ACSS will receive local fulfillment and production support from the CTS unit's facility in Moorpark,

CA. Production begins in mid-2009 with revenues expected to reach about \$35 million over the program period. In addition, **Coulomb Technologies** (Campbell, CA) has selected CTS Electronics Manufacturing Solutions as prime supplier of manufactured products for Coulomb's networked charging stations for electric vehicles. The CTS unit will provide services from design support to high-level assembly. Revenues are expected to reach about \$19 million over the three-year contract. ... **PartnerTech** (Malmö, Sweden) and **Biotage** (Uppsala, Sweden), a company in the field of life science research, have expanded their relationship through a new agreement whereby PartnerTech will take over most instrument production currently located at Biotage's plant in Charlottesville, VA. Running initially through 2011, the agreement is worth about SEK 40 million (\$5.2 million) a year. Outsourced production in Charlottesville will be transferred to the PartnerTech customer center in Åtvidaberg, Sweden, beginning immediately. Upon completion, which is scheduled for Q3, PartnerTech will manufacture nearly all Biotage instruments. In January, Biotage decided to close the factory in Charlottesville and relocate production to a contract manufacturer and to Biotage's own plant in Cardiff, Wales. ... **Kitron's** operation in Lithuania will provide industrialization and manufacturing of automatic meter reading products for **Aidon**. Kitron (Billingstad, Norway) can offer additional services, as required. In 2009, the provider expects this program to generate revenue of NOK 25 million (\$3.9 million), increasing to about NOK 120 million (\$18.7 million) in 2010. Within the defense segment, Kitron has received new orders totaling NOK 112 million (\$17.5 million), of which NOK 93 million (\$14.5 million) is related to military communication equipment. Also, Kitron has entered into a cooperation agreement

with **NorDiag** (Oslo, Norway) regarding preparation of NorDiag's Arrow instrument for batch production. The parties intend to firm up and sign an agreement for batch production in August. This instrument is suitable for DNA-based diagnostics for small to medium-size laboratories. Kitron expects NorDiag to be a significant customer in the future....**Northrop Grumman** has awarded **LaBarge** (St. Louis, MO) a \$2.3-million contract to continue to produce electronic equipment for a countermeasure system used to protect aircraft against infrared missile attacks....**NOTE** (Danderyd, Sweden) has landed a contract from **Radiocrafts** (Oslo, Norway) to produce an integrated module capable of sending and receiving wireless data. The product can be applied for taking various kinds of meter readings. **Norteam Electronics** (Oslo, Norway), acquired by NOTE in December 2008, signed the deal and will be handling industrialization, prototyping and low-volume manufacture. High-volume production will go to NOTE plants in cost-efficient countries.... Under a \$19.3-million subcontract, **Sparton** (Jackson, MI) will produce subassemblies for about 7,320 sonobuoys to support U.S. Naval Antisubmarine Forces.... **PureSpectrum** (Savannah, GA), a lighting company, has engaged **Arcata Electronic**, an EMS provider in metropolitan Shanghai, China, to manufacture PureSpectrum's dimmable electronic ballasts for linear fluorescent lighting fixtures. Arcata was formed in 2005 from **Polaroid's** China subsidiary, which had filed for bankruptcy.

Divestment... Kitron has agreed to sell its microelectronics business in Røros, Norway, to some local employees and **Norbit**, a Norwegian ODM supplier of industrial electronics. The microelectronics unit has about 50 employees and brought in sales of NOK 128 million in 2008 (\$20.0 million at

current exchange rates). Kitron is divesting its microelectronics business because it concluded that this is not a core business going forward and because the company wants to concentrate its Norway manufacturing in Arendal.

Jabil Sees Stabilization

Add Jabil Circuit to those who see market stabilization underway. "Late in our February quarter and into the middle part of our May quarter, business continued to decline, albeit at a slower rate. More recently, we began to see genuine stabilization across most of our industry sectors, giving us higher confidence in guiding to consistent revenue levels for our August quarter," said Jabil president and CEO Tim Main during the company's earnings conference call held this month.

"We're definitely not leaning into a recovery with this guidance. We're leaning into a bottoming of the market," said Main.

For Jabil's fiscal Q4 ending in August, the company expects revenue in a range from \$2.5 billion to \$2.7 billion, consistent with May quarter sales of \$2.62 billion. The provider estimates that core EPS for its August quarter will be in a range from \$0.02 to \$0.12, compared with \$0.04 for its May quarter.

May quarter revenue was down 9.4% sequentially and 15.3% year over year. Core operating margin for Jabil's May quarter was 1.1% versus 1.8% for the prior quarter and 2.8% for the year-earlier period. Jabil reported a GAAP net loss of \$28.8 million for its May quarter.

More financial results... For the fiscal Q3 ended March 31, Kimball International reported sales of \$140.6 million from its Electronic Manufacturing Services segment. EMS sales declined 22% year over year. Sales to customers in the public safety industry were flat compared with the year-earli-

er quarter, while sales from the automotive and industrial control sectors declined by double-digit percentages versus a year earlier. Revenue from the medical industry decreased slightly when compared with the year-ago period. The EMS segment produced a loss of \$9.6 million in the March quarter compared with a loss of \$2.2 million a year earlier primarily due to goodwill impairment charges of \$8.0 million after tax and lower sales volumes. Still, Kimball reduced selling and administrative costs in the segment by 33% year over year.... The contract manufacturing services (CMS) business of **VTech Holdings** (Hong Kong) increased revenue by 5.0% to \$260.6 million for its fiscal year ended March 31. The growth in sales was mainly driven by programs in professional audio equipment, switching mode power supplies and solid-state lighting. Professional audio remained the largest source of CMS business, accounting for 29.4% of CMS revenue, followed by switching mode power supplies at 25.4%. VTech experienced a second-half reduction in business from many existing customers who scaled back orders across the board in the face of economic turmoil. However, the economic slump also brought more business from the existing customer base, as certain companies ceased to manufacture their own products and transferred their production to VTech. The group expects that its CMS business will continue to outperform the global EMS market in 2009. VTech believes that its position in the professional audio segment will continue to increase following the establishment of a state-of-the-art audio laboratory at its R&D Centre in Shenzhen. The group also expects considerable momentum from solid-state lighting.

Some financial news... **Flextronics** (Singapore) has commenced a cash tender offer to purchase up to \$100

million of its 6 ½% senior subordinated notes and up to \$100 million of its 6 ¼% senior subordinated notes. The company also obtained majority consents from note holders to amend covenants associated with these notes. These revised covenants permit Flextronics to make restricted payments, such as the repurchase of stock, of up to \$250 million in addition to other restricted payments allowed by the notes' amended terms....According to online reports of two law firms, Jabil Circuit has the largest trade claim against **Visteon**, which filed for Chapter 11 bankruptcy protection last month. The reports show Jabil's claim as \$7.0 million, based on a Visteon list. During the quarter ended May 31, Jabil recorded a charge associated with Visteon's Chapter 11 filing. ...**Elcoteq** (Luxembourg) recently disclosed that it has been in discussions with a limited number of equity investors under a project to strengthen its balance sheet. The company plans to select an equity partner and complete final negotiations during the first half of 2009. Meanwhile, Elcoteq has renewed its membership in the Kempen/SNS Smaller SRI (Socially Responsible Investment) Europe Index. The Kempen SRI universe includes European companies that meet or exceed standards for ethical, social and environmental performance....**Nam Tai Electronics** (Shenzhen, China) has made a second cash offer in an effort to privatize its Hong Kong-listed subsidiary, Nam Tai Electronic & Electrical Products Limited (NTEEP), in which it holds a 74.88% stake. Nam Tai's cash offer amounts to \$43.5 million based on the number of NTEEP shares not owned by Nam Tai. The company's operations are conducted by NTEEP....This month, shares of **IEC Electronics** (Newark, NY) began trading on the NYSE Amex exchange.

People on the move... Last month, Cary Fu, CEO of **Benchmark Elec-**

tronics (Angleton, TX), became chairman of the board. The company previously announced that Fu, a cofounder of Benchmark, would succeed outgoing chairman Donald Nigbor, who retired (Nov. 2008, p. 7)....Daniel Schulman, CEO and director of **Virgin Mobile USA**, has joined Flextronics' board of directors. Ajay Shah will retire from the board at the company's 2009 annual meeting....**Zollner Electronics** (Sterling, VA), a result of Zollner Elektronik's expansion into North America, has announced the appointment of Gene Lindberg as VP of business development. An electronics and EMS veteran, Lindberg has 30 years experience in hardware design and development, production and logistics. Zollner Elektronik is based in Zandt, Germany....The board of directors of NOTE (Danderyd, Sweden) has made Knut Pogost its new president and CEO, replacing Arne Forslund. Having vowed to increase sales efforts, NOTE said it is natural to transfer leadership of the company to Pogost, who has broad experience in international sales and marketing within the electronics industry. His many years of senior management include working at Norwegian EMS provider Kitron and Canadian distributor **Future Electronics**. Pogost has been promoted from executive VP of NOTE responsible for developing the group strategy. Also, in August two employee representatives will take seats on NOTE's board as regular members. They are Christoffer Skogh, Unionen representative from NOTE Norrtelje, and Hans Westin, IF Metall representative from NOTE Skellefteå....Michael Homer has joined **BreconRidge** (Ottawa, Canada) as executive VP of operations and customer service. Previously, he held senior positions in operations at **Psion Teklogix**, **Celestica**, **Honeywell Canada** and **Honeywell Aerospace**. In addition, BreconRidge has elected Rahul Suri to its board in place of Joe Culp, who has

retired from the board. Suri is a former executive at Celestica....LaBarge has named John Piatak director of corporate supply chain. With 15 years of management experience in supply chain logistics and materials management, Piatak recently served as VP and GM of global supply chain for **American Power Conversion**, now **Schneider Electric**. Also, LaBarge has hired Brian Stewart as director of operational excellence for its commercial/industrial manufacturing operations. He joins LaBarge with more than 20 years in operation management and continuous improvement and most recently was director of operations for **Accellent**....**I. Technical Services** (Alpharetta, GA) has appointed Keith Knight as GM. His resumé includes serving as VP of manufacturing for **Emulex**, VP of operations for **Data Direct Networks** and most recently VP of operations for **Aristos Logic**....Recently, Eric Miscoll returned to the management team of market research service **TFI Quarterly Forum**, whose name was changed this month to **InForum**. Miscoll made a significant contribution to the Quarterly Forum over the last decade in his prior role as COO of **Technology Forecasters Inc.**, which formerly operated the research service. More recently, he served as VP and GM at **TXP**....Sparton (Jackson, MI) has made Drew Richmond deputy general director of **Spartronics Vietnam**, Sparton's Vietnamese subsidiary. He will oversee day-to-day operations at the subsidiary, where business has increased through new market growth and the transfer of existing business from elsewhere within Sparton. Richmond formerly served as VP of business development at Sparton of Canada....EMS provider **Zurvahn** (Coconut Creek, FL) has hired John Buckley as senior VP of sales. He joins Zurvahn from **Sanmina-SCI**, where he spent three years in the NPI division and held the position of VP of

News

sales. He managed that division as well as the sales force located in San Jose, CA. Before that, Buckley worked at the former **Solectron** for seven years managing its **FinePitch** division, an NPI and low-volume/high-mix operation....According to published reports, David Davies has returned to **Axiom Manufacturing Services** (Newbridge, Wales, UK) and assumed the role of managing director.

*Mexico happenings...***Hon Hai Precision Industry** (Tucheng City, Taiwan) intends to employ 7,500 workers by the fall at its new complex in San Jeronimo, Mexico, according to a report published by the *El Paso Times*. Citing a Hon Hai executive, the newspaper reported that over the next five years the company foresees the workforce growing to 10,000 and will have the means to increase it to 20,000. Last year, *MMI* reported that Hon Hai had broken ground on the new site across the border from Santa Teresa, NM (Aug, p. 6). Earlier reports put initial employment at up to 9,000 or 9,300 for the opening of the project's first stage, increasing to some 30,000 in four years or 20,000 in three to four years, depending on the report. It would appear, therefore, that Hon Hai has scaled back projections for employment at the site....EMS provider

EE Technologies (Reno, NV) recently completed a project to increase capacity at its plant in Empalme, Mexico, by more than 30%. EET said increased demand for its services required this expansion of its Mexico operations. The project included adding an SMT line as well as supporting processes and equipment.

*Medical certifications...*Brecon-Ridge (Ottawa, Canada) completed the registration process for ISO 13485, the quality standard for the supply of medical devices....Also, PartnerTech's rapid prototyping and NPI facility in Cambridge, England, has received ISO 13485 certification.

*Facility closures...*Celestica (Toronto, Canada) will close its Philippines facility in the Mactan Economic Zone on Mactan Island, which is connected to larger Cebu Island. According to Celestica's website, the plant specializes in the manufacture of broadband transmission devices and subassemblies. Celestica acquired the plant from **NEC** in 2004....**Nortech Systems** (Wayzata, MN) will shutter its EMS facility in Garner, IA, by early August. The customer base served by the Garner facility was heavily weighted with industrial customers, the segment where Nortech is seeing the weakest

demand. Nortech will consolidate its EMS operations at its facility in Merrifield, MN. The company purchased the Garner facility from **Suntron** in February 2007.

*Headquarters move...*Sparton will relocate its headquarters from Jackson, MI, to Schaumburg, IL, effective Oct. 1. The company said the move is in response to streamlining Sparton's overhead costs and aligning corporate operations closer to strategic market design centers in the medical field.

Editor and Publisher: John Tuck
Circulation Director: Ann Connors
Board of Advisors: Michael Thompson, CEO, I. Technical Services; Andy Leung, CEO, VTech Communications Ltd.

Manufacturing Market Insider is a monthly newsletter published by JBT Communications, 43 Summit Ridge, Burlington, VT 05401-3911. Phone (802) 651-9334. Fax (802) 651-9336. © Copyright 2009 by JBT Communications™. ISSN 1072-8651

The information and analysis presented here are based on sources believed to be reliable, but content accuracy is not guaranteed. The publisher shall not be held liable for any business decisions influenced by this publication.

E-mail: jbt@mfgmkt.com
Web site: www.mfgmkt.com

Subscription Form

- I want 12 monthly issues of **MMI** at the annual rate of US\$485. For subscriptions outside North America, add \$50 for the print edition or \$25 for the electronic edition.
- Sign me up for two years. I'll receive 24 issues for US\$875, which is \$95 off the annual rate. Outside North America, add \$100 for the print edition or \$50 for the electronic edition.
- Send the print edition. Or send the electronic edition (pdf).
- Payment is enclosed to JBT Communications.
- Please bill me. Charge my credit card (see below).

Mail or fax to: JBT Communications, 43 Summit Ridge, Burlington, VT 05401-3911. Fax (802) 651-9336.

Name _____ Title _____

Company _____ Phone _____

Street Address _____ Fax _____

City/State/ZIP _____ Email _____

MasterCard _____ Visa _____ Amex no. _____ Expires _____