



Extract from Thomas Russell -- Furniture Today, June 29, 2010

## **VIETNAM FACTORIES HIT BY POWER OUTAGES**

### **Shutdowns cause minor production delays so far**

**HO CHI MINH CITY, Vietnam** — A prolonged dry spell is creating power outages that have in turn caused sporadic plant shutdowns in recent weeks.

The situation is causing minor production delays, although officials say the factories are altering their work schedules to address the problems. For instance, a plant in an area with a power outage scheduled for a Friday might operate on longer shifts the rest of the week.

One of the country's worst droughts in memory is affecting Vietnam's ability to produce electricity, much of which is generated by hydroelectric dams. Government officials are conserving by shutting off power in various districts in and around Ho Chi Minh City.

Sources say the low power supply has been an issue since March.

They had hoped it would ease with the arrival of the rainy season, which runs from May through November. However, rain has been lighter than expected, and the problem continues.

Rob Sligh, chairman of home office and home entertainment importer Sligh Furniture, said one of his source plants he visited three weeks ago was shutting down for two days a week because of local power outages.

Dan Angus, senior vice president of sales and marketing at casual dining and youth bedroom importer Ligo Products, said the situation has affected some of his sources in Vietnam.

"They are taking the whole power grid of an area and shutting it off," he said. "It affects the whole supply chain."

Angus said the issue has affected some shipments, but that factory operators have addressed the issue by scheduling people to work more hours on the days they do have power.

Some plants have generators that help supply backup power. However, sources say it is expensive to run an entire plant on a generator. For that reason, many suppliers use them sparingly to power certain parts of the plant.

Richard Magnussen, CEO of bedroom and occasional resource Magnussen Home Furnishings, said the power issue caused some production delays early on, but that his staff in Asia has worked with suppliers to help coordinate production flows. He said that as the problem has persisted, the factories have gotten better at scheduling workers to be at the plants on days when the power is available.

Officials say they can control the situation to a degree by keeping a certain level of inventory. But if the drought persists, it could cause some delivery issues.

"It has not disrupted our ability to ship quickly," said Rob Sligh, of Sligh Furniture. "We are still in a position to ship quickly. If it keeps going into the fall, it would be a little more worrisome."