Cisco Will Cut 6,500 Jobs

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SAN FRANCISCO (AP) — Cisco Systems Inc., the world's largest maker of computer-networking gear, is reducing its work force by about 9 percent to reduce costs and raise profits as the company tries to become more competitive.

Monday's announcement to cut 6,500 of its roughly 73,000 worldwide employees follows up on a plan disclosed in May to eliminate thousands of jobs. Two-thirds will come through layoffs, and the rest through an early-retirement plan. The company said 15 percent of employees at or above the level of vice president are being eliminated.

Cisco has long been a high-growth company, but after rebounding from the recession, its sales started stalling about a year ago. Critics have long said that Cisco tries to compete in too many markets.

CEO John Chambers acknowledged that criticism in April and sent employees a memo vowing to take "bold steps" to narrow the company's focus. Cisco killed off its Flip video camcorder business that month, and it reorganized its management structure a month later. Monday's cuts represent Cisco's latest attempt to simplify.

Cisco is also suffering from rising competition from companies like Juniper Networks Inc. and Hewlett-Packard Co. in the market for computer-networking equipment, including the routers and switches that direct the flow of data traffic.

Cisco said the cuts will cost it $1.3 billion in severance and termination benefits. The company, which is based in San Jose, California, plans to take the charge over several quarters. It will take $750 million of that, including $500 million for the early-retirement program, during the current quarter.

Cisco will inform employees who have been cut in the U.S., Canada and some other countries during the first week of August. The rest will come later to comply with local laws.

In May, Cisco said it planned to eliminate thousands of jobs as part of a larger plan to lower annual expenses by $1 billion, or about 6 percent. Cisco didn't say then how many jobs would be eliminated, but the number worked out to 4,000 to 5,000 if the percentage of job cuts were similar to the reduction in expenses. The exact number has been the subject of many analyst and published reports since then. The numbers announced Monday are much higher than the 6 percent figure.

Gleacher & Co. analyst Brian Marshall said the cuts were in line with what he was expecting.

"Obviously, while an unfortunate event it's a necessity for Cisco to heal and get

back on a competitive stature in the industry," he said.

Also Monday, Cisco said it agreed to sell its Juarez, Mexico-based set-top box manufacturing plant to Foxconn Technology Group, a Taiwanese company that makes many Apple products. The plant's 5,000 employees will join Foxconn by October. Those 5,000 are in addition to the 6,500 being cut from Cisco.

Earlier this year, Cisco cut 550 workers as part of its decision to kill Flip and reorganize other aspects of its consumer business.

Cisco's stock fell 2 cents to $15.42 in extended trading Monday after the announcement. The stock finished regular trading down 15 cents at $15.44.

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