Comet failure highlights UK retail jobs crisis

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Comet's 6,600 workers could all be laid off by Christmas and the entire business closed. The UK electrical retailer had 236 stores when it went into administration at the start of the month. Some 1,000 workers have been laid off so far, with 41 stores closed and redundancies at its Hertfordshire HQ and its Somerset call centre.

Administrators Deloitte said they were looking for a buyer. Administrator Chris Farrington said, "We remain in discussions with a small number of interested parties and hope that a positive outcome can still be achieved. Should any acceptable offers be received for stores we will delay the closure process. Unfortunately, in the absence of a firm offer for the whole of the business, it has become necessary to begin making plans in case a sale is not concluded."

According to *The Sun*, Comet staff have been told stores will close by December 18, throwing 5,000 workers onto the dole queue. The newspaper cited a memo setting out that the Comet distribution centre in Essex is to close today (Friday), with the loss of more than 600 jobs.

Talks are ongoing involving rivals Dixons Retail, Maplin and TK Maxx, but these involve the takeover of just a limited number of stores, while Appliances Online is said to be interested in buying the Comet web site.

It is less than one year since Comet was acquired by the private investment group OpCapita for just £2, after it made an operating loss over the year of £8.9 million. In fact, its parent company Kesa Electricals (now Darty) had paid £50 million for the group to be taken off its hands, with Kesa chairman David Newlands stating at the time, "The truth of the matter is we had to pay £50 million to get the business away" and that it was "writing it off as having no value."

It was reported that, to sweeten the deal, Kesa also kept responsibility for the group's pension scheme, said to be £40 million in the red. Even so, there had been questions as to why OpCapita, run by former investment banker Henry Jackson, believed it could turn the company around. At the time, Jackson said the purchase was a "long-term project, we're not going to tweak a few dials and [think] it will all be all right. The consumer economy is going to be tough for a while."

It had "no intention to close further stores or make redundancies" and was committed to running Comet as a going concern for "at least 18 months," he said.

Events have led to accusations of asset-stripping by OpCapita and of Deloitte having pushed for a fire sale of the company in order to generate profit for its creditors. These accusations have been fueled by reports that Comet had held approximately £180 million of stock when it was taken over by OpCapita, but this was reduced to £120 million as stock was not replenished.

According to Chris Brook-Carter in *Retail World*, OpCapita "will be among the first creditors in line for an estimated £60m that could be recovered from the collapsed retailer."

The investment group had purchased Comet "through a separate vehicle called Hailey Acquisitions," Brook-Carter wrote. "Hailey, it has emerged, was a secured creditor, which means Jackson and his investors are unlikely to be financial casualties of the process—there are some reports suggesting they may make a profit. With close to 7,000 jobs at risk, it is hardly surprising that the morality of this latest foray by private investment into the retail sphere is being called into question."

Comet staff have launched an e-petition calling for a government investigation into "OpCapita LLP for the way of its handling of Comet Ltd since its purchase in February 2012". The petition queries OpCapita's claim that it invested £35 million of its own money into the company in addition to the £50 million dowry from

Kesa. Asking whether any of the money was actually invested and where money from stock sales went, it asks, “Why were we all kept in the dark about where the company was heading?

“Why did we, as staff, have to find out about going into administration from the media and not directly from OpCapita?

“If Comet Ltd was in such a sorry state of affairs, why was Chris Pavlosky, a former Dixons Stores Group Operations Manager (main competition) hired as an interim services director for the sum of approx £1,000 a day?”

Complaining that “we’ve been stripped down piece by piece until the company wasn’t self-sustainable any more”, it asks “Why should this company be allowed to profit from 6,600+ members of staff losing their jobs?”

The bloodletting at Comet is the largest retail collapse since Woolworths folded four years ago with the loss of 24,000 jobs. Since then, Clinton Cards, JJB Sports, La Senza, Game, Oddbins and Barratts, amongst others, have failed.

Worse is to come, according to the British Retail Consortium. More than one in ten shops in town centres across the UK were vacant last month as rising unemployment and economic insecurity have led consumers to cut back on spending. Northern Ireland, Wales and the north of England are particularly affected.

The *Telegraph* reported that hedge funds are betting billions that companies including major chains such as WH Smith, Sainsbury, Tesco and Morrisons will fall in value, as the retail downturn continues. Hedge funds such as Lansdowne Partners, GMT Capital and Barrington Wilshire are short-selling against Tesco, Mothercare, Morrisons, Marks & Spencer, it said.

Jobs losses are not confined to the retail sector. Some 700,000 jobs have been lost in the public sector since the 2010 general election, with a further 32,700 at risk.

In addition, in the last weeks alone, Tata Steel announced 900 redundancies in the UK. Of these, 550 jobs are to go at Port Talbot, Wales, and some 300 at its operations in Yorkshire, the West Midlands and Teeside. Some 12 steel finishing and processing sites are to close across the country. Only last year, Tata laid off 1,600 workers at its Scunthorpe and Corby operations.

In Maltby, Yorkshire, 540 coal miners have been given 90-day notice of redundancy, as have 900 workers employed by Premier Foods, due to the closure of bakeries in Birmingham and London and 60 workers employed by the South Yorkshire Passenger Transport Executive (SYPTE) in South Yorkshire. SYPTE, which has laid off 30 percent of its workforce in the last year, blamed budget cuts.