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Insight: Hometown weary but defiant as Kodak's problems worsen

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By [Clare Baldwin](#)

ROCHESTER, NY (Reuters) - With investors placing bets on whether Eastman Kodak will file for bankruptcy, there is not so much a sense of crisis as a feeling of resignation and fatigue among the residents in its hometown.

At one point, the company employed more than 60,000 people in Rochester in upstate New York, where it was born more than 130 years ago. Now, that number is closer to 7,000 - and it has been decades since the company, once synonymous with photography, began its downward slide.

"There's a saying around Rochester that there is life after Kodak," Tom Diederich, 59, said wryly. Diederich, who works part-time for car rental agency Hertz, retired from Kodak a month ago when his job was eliminated as part of cost-cutting. He spent 20 years in Kodak's film division.

"I don't think the impact will be as terrible as it could have been. The steady decline of Kodak allowed the area to absorb the impact," he said.

He acknowledges that for years the company has been based on "obsolete technology," but he shied away from assigning blame or expressing anger.

"I raised a family on a Kodak paycheck. They were good to me...and I am grateful to them for that," he said.

Jim Cook, 64, who spent 39 years in Kodak's paper finishing business and now does maintenance at a local Comfort Inn hotel, also said he would work for Kodak again, if given the chance.

Kodak hired Cook after high school, put him through computer programming, computer repair and electrician classes, and two apprenticeships, one in sheet metal and one in being an electrician.

For now, at least, the Kodak name is still everywhere in Rochester. Streets and buildings, alike, share it and the local history section of the Rochester library has a significant archive of material on the company's history.

In years past, Kodak also sponsored bowling leagues and subsidized the cost of deep sea fishing trips off the coast of New England for its employees, said Jack Gundrum, 75, who worked for Kodak for more than 44 years, mostly in its research division.

It wasn't unusual for a Kodak employee and family to go to the company's Kodak Park campus on the edge of town for a subsidized prime rib dinner and a show, said Bob Volpe, president of EKRA, an independent Kodak retirees' advocacy group.

But all of that - the "halcyon days" of Kodak as Volpe put it - was decades ago.

In more recent years, the reality has been a series of devastating layoffs and other cost-cutting measures, current and former employees said.

Many of those still working full-time are just hoping to stick around long enough to retire so they can lock in health and pension benefits, they said.

One current female employee who spoke on condition of anonymity outside of Kodak's headquarters in downtown Rochester, said employees are wondering exactly what retirement benefits they will get if the company continues to struggle. She also said that some employees are wondering whether they can take their money out of Kodak's retirement funds.

Kodak last week withdrew \$160 million from a revolving credit line, saying it would use the money for general corporate



purposes. That and the company's appointment of outside advisers set off a panic among investors concerned that the company was running out of cash.

Its shares collapsed by 77 percent last week to hit a low of just 54 cents before pulling back some of those losses on Monday after Kodak said it had no plans to file for bankruptcy. On Tuesday, the shares fell 16.4 percent to end at \$1.12.

Still, the global company's multiple layers of debt, unfunded pension obligations, and its inability to find new markets to replace its once reliable film business have investors in its debt worried. As a result, those investors have also been talking to law firms and restructuring advisory firms, said an analyst and a source close to them.

As concerns that Kodak may be fighting for its very survival have picked up in recent weeks, retirees have begun calling insurance companies asking about their options for healthcare if they were to lose their Kodak plans, said EKRA's Volpe.

NERVOUS

The company has not said that retirees will lose their benefits, but some are nervous, Volpe said.

"We have to look after ourselves," he declared, adding that a top priority for EKRA right now is protecting pension assets, and not letting them be used for restructuring costs.

Kodak spokesman Chris Veronda in an e-mailed statement said Kodak is focused on becoming a "profitable, sustainable digital company". He said that while the company has underfunded pension liabilities in the United Kingdom, it is working to fix that. The latest independent report on Kodak's defined benefits pension plan for U.S. employees at the end of December 2010 showed that the plan is fully funded, he said.

He said that Kodak currently offers healthcare benefits in the United States to active and retired employees, and, like other companies, annually reviews and adjusts its benefits programs to remain competitive.

Rochester Mayor Thomas Richards said in a statement that he has no knowledge of Kodak's financial situation, but the city would continue to provide any assistance it could to Kodak. He said the company had managed job losses sensitively over the past few decades.

"The company was generous with retirement incentives, encouraged managers to start up smaller companies in areas the Kodak was no longer interested in pursuing and downsized in a methodical, rational manner that allowed for our city and area economy to absorb these cuts," he said.

Certainly, Rochester - whose population topped 210,000 in 2010 - is no longer as reliant on Kodak and its jobless rate is only 7.1 percent, much lower than the national rate of 9.1 percent. Bigger employers now include the University of Rochester, Wegmans Food Markets and Rochester General Health System, according to the Rochester Business Journal.

NOT MUCH LEFT

The brick smoke stack of Kodak Park continues to belch smoke but not all of the parking lots around the complex are full. There are also no signs of the traffic jams that old-timers said were once prevalent.

"There's really not that much of Kodak left," said Tuni Graham, 57, who spent 10 years in Kodak's film division and now works as a bartender at the California Brew Haus, across the street from Kodak Park.

The Brew Haus, which boasts 250 types of beer and an oversized doll of children's cartoon character Alf in a Hawaiian shirt above the bar, has long been a staple of Kodak life. In the 1970s, 1980s and through the early 1990s it was packed with lunch time and after work crowds, and had live bands every night of the week. There were even live bands on Friday mornings to accommodate shift workers, owner Richard Scorse said.

Another local business owner, Olga Petrou, 53, zeroed in on Kodak's decline. She is part of the Christanis family, which has owned the Peppermill restaurant, also on the edge of Kodak Park, for 35 years.

"For us, there is no more Kodak. There are so few people we can't fill the restaurant," Petrou said. The restaurant used to operate 24 hours a day, but cut back on its hours several years ago as business slowed.

Petrou and Scorse don't have plans to close but they do say business these days is very different. Petrou joked that when Kodak imploded the buildings directly behind Peppermill several years ago it was almost like the old days because the restaurant was packed with the construction workers at mealtimes.

"Implode them all!" she said, only half-laughing.

Another local resident described the city's evolving relationship with Kodak as a coming-of-age for the town.

At one time, Kodak was like "God", said Scott Cole, 48, who works in the technology industry and grew up in the area.

"Circa 1980, 1981, people thought that if Kodak failed, the world as we knew it would collapse. It turned out that they were wrong. We're doing just fine."

"We were...in bowling alleys, listening to cover bands and drinking shots of Schnapps, thinking the only thing that made all of this possible was...Kodak. It turned out we could make our own way in the world."

(Reporting by Clare Baldwin in Rochester, additional reporting by Liana B. Baker and [Caroline Humer](#) in New York. Editing

by Martin Howell)

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