

Kodak pension head: 'Jobs are safe'

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Eastman Kodak Co.'s Document Imaging and Personalized Imaging workers have probably been living in fear for months about what will happen with their jobs.

Steven Ross was in Rochester Wednesday to try to assuage some of those fears.

"We see this as a long term partnership," the chairman of the United Kingdom Kodak Pension Plan said Wednesday in a conference room at Kodak's sprawling Eastman Business Park Building 205 shortly before addressing workers there. That pension plan, which represents roughly 15,000 current and former Kodakers in England, is in the process of [buying Kodak's DI and PI businesses](#) for \$650 million (as well as foregoing a \$2.8 billion unsecured claim against Kodak).

Along with Kodak's DI business — primarily document scanners — and its PI business of photographic films and papers, the pension plan also is picking up roughly 3,200 Kodakers worldwide and numerous Rochester-area physical assets, such as the million-square-foot Building 205.

The goal, Ross said, is to make those businesses into cash-generating, value-adding success stories that years from now can then serve as income streams for the pension fund.

"We are a strange creditor, a different creditor than a trade creditor or a hedge fund," said Ross, 61, of London and Reading, England. "We have no immediate need to be paid. You do my job thinking of 20-year cycles, while the normal business cycle is a year to five at the most. That's how we view our requirements to meet our obligations. Finding a transaction here that would create as much value in the process as could be had was really our objective." Ross spoke about the pension plan's plans:

On how taking over DI and PI was not the pension plan's first choice:

This settlement has come out of coming over, talking to a lot of people, understanding what is going on here, trying a lot of routes down of blind alleys, things we thought we could achieve. When the realities came along ... realizing these things wouldn't work and trying to find something that does work. This is the thing that seems to us to work for everybody.

Clearly if the (Kodak digital imaging) intellectual property had been sold for \$2.5 billion, we'd probably be having a different conversation. I suspect that if there had been larger additional liquidity in the company, they might have chosen to market these assets a different way. Pure conjecture. But that's where we came to this; it was very much the realization after fairly hard work that we needed to step into this process to help preserve value. If people know you have to sell a business, you're going to sell it for less. The question was how much less. The answer became apparent it was a lot less. We could afford to step in, turn this on its head, see how we could use the sale to their benefit ... and give people long-term stability so the opportunities in these businesses could be realized.

On making those opportunities happen:

That's the thing that's been exercising my brain a bit. The answer is a number of things. Both of those businesses we view as having different characteristics but potential. And enabling them to operate in a different way, develop a slightly different culture. You've got this vast business park — which sort of describes what Kodak was, this massive organization. It can slow you down; you can't be as quick as you want to be, as nimble, as focused, because you're part of a very big group. Businesses like these two, given a bit of nimbleness, given a bit of luck, given an opportunity to invest some of the cash they make ... why wouldn't we be optimistic? Managing the change will be a very interesting process. What you'll have at the end of this is a smaller, nimbler private company able to make decisions and, if it needs to change course, change course.

On how Kodak ended up \$2.8 billion in arrears:

In common with a lot of defined benefit plans, the reduction in government bond yields over the years has had a big impact. When you have plans this big, those (shortfall) numbers can become huge. That's what's happened to the whole Western world.

On running of the DI and PI businesses:

What we'll do is put a holding company in place. The holding company will have a board that consists of executives and non executives — I imagine I'll be one of those. (Will the pension plan) meddle in day to day operations, I don't think so. We will be a positive, friendly shareholder.

On the holding company's headquarters and name:

We need to have those discussions. We don't have a view yet on a whole range of things.

On separation from Kodak:

I don't know if you've ever been in a business which has demerged before. I have. It's a difficult process. This is a marathon. The message very much is, people's jobs are safe. We're offering like-for-like on benefits. It will have equal value. Name on pay slip might change in six months' time. There will be change, but (employees) will see it occurring over time. There will be a lot of emphasis put on standing on our own two feet as quickly as possible.