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From the Sacramento Business Journal:

<http://www.bizjournals.com/sacramento/news/2017/05/19/what-happens-after-aerojet-eliminates-most-of-its.html>

What happens after Aerojet eliminates most of its local jobs?

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May 19, 2017, 5:13am PDT Updated: May 19, 2017, 4:06pm PDT

Aerojet Rocketdyne Holdings Inc.'s plan to remove 1,100 jobs from the Sacramento region by the end of 2019 is in motion — but a lot may happen between now and then that could determine how much damage to the local economy is left behind.

Managers at the rocket-maker, with deep roots in the Sacramento area, said they are committed to helping former employees who remain here transition into new work. And some local leaders say they hope to work with Aerojet (NYSE: AJRD).

But at least one local official urged a more confrontational stance to assure that the Sacramento region receives its due for the decades that thousands of local workers helped build the company.

"Typically with these plant closures, if the communities cooperate, the communities end up holding the bag," said Barry Broome, CEO of the Greater Sacramento Economic Council. "An air of cooperation with Aerojet Rocketdyne will leave us with a contaminated empty building (and) no jobs. In two years, by 2019 once they make the move, there's no reason for them to make a phone call to us, cooperate or take our phone calls."

Read more: *Decision day is Aug. 1 at Aerojet*

Read more: *Were state regulations a factor in Aerojet's decision to remove local jobs?*

Last month, Aerojet announced that rocket development and manufacturing jobs at its site near Rancho Cordova will either be eliminated or moved to Huntsville, Alabama, as part of a larger consolidation plan ultimately expected to save the company around \$230 million annually. Around 300 administrative jobs will remain in the Sacramento region.

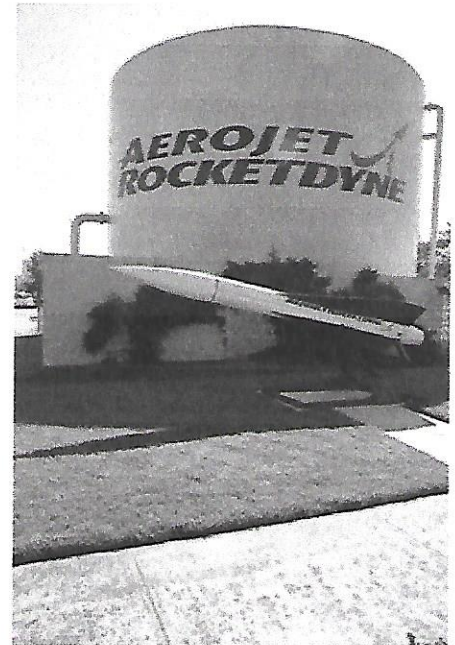
Aerojet and Rancho Cordova

Aerojet chief operating officer Mark Tucker told the Business Journal that the company's manufacturing base in the Sacramento region has "greatly diminished" amid shifts in its business, to the point where it's no longer feasible to continue manufacturing operations here, considering other sites do the same or similar work. "Unfortunately we couldn't find a way to reshape or reinvent Sacramento to keep it viable," he said.

At the height of the space race in the 1960s, Aerojet employed more than 20,000 people in Rancho Cordova.

Tucker said a critical advantage of moving jobs to Alabama is that much of the company's customer base is near there, including the U.S. Missile Defense Agency and other organizations that operate at the Redstone Arsenal, an Army base in Huntsville that is also a hub of rocket development and technology. He also said he expects the University of Alabama in Huntsville and its Propulsion Research Center to be a potential pipeline of future talent.

Since beginning rocket testing in the Sacramento region back in 1951, Aerojet (which changed its name to Aerojet Rocketdyne after purchasing Pratt & Whitney's Rocketdyne division in 2013) has been a source of pride for area residents.



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Aerojet Rocketdyne Holdings Inc.'s campus near Rancho Cordova

The company's rocket engines sent men to the moon in 1969, and continue to power NASA's Voyager I and Voyager II space probes. Aerojet also played an active role in building technology for the Space Shuttle program. And during the Cold War, the company played an important role in the development and building of propulsion systems for the U.S. nuclear arsenal.

Given Aerojet's long history and deep roots in the region, some, like U.S. Rep. Ami Bera, believe many of the affected workers will try to stay local, rather than taking a company job elsewhere.

Bera, whose district includes Aerojet's facilities, said he would like to work with the company to help point those employees toward local job opportunities. He said he's been in communications with Aerojet's government relations staff to that end. "Our sense is there will be a number of talented individuals, aerospace engineers, machinists, etc., that may not want to relocate," Bera said.

"As they go through who's staying behind, and staying in the district, we'd like to see that inventory," he said. "You could see a lot of talent there. I think it's up to us working with Aerojet Rocketdyne, working with the business community to see if we can't find opportunities for those individuals."

Finding jobs that will meet the needs of a highly trained workforce of aerospace engineers and others with specialized skills won't be easy, Bera said. He said the region will have to "think out of the box" to meet the needs of those employees. "Let's say you have an aerospace engineer that's 55 years old, 10 or 15 years towards retirement, perhaps he could work for our local school districts. These are talented, science-based individuals, and we're always looking for a talented workforce to get into STEM education," Bera said.

"We have talented machinists who may be able to help us fill the need for vocational and technical training....These might be individuals that we could quickly credential and certify and get them into some of our local high schools. We've got to get a sense of what this workforce looks like, what kind of talent fits there and we want to keep those individuals in the Sacramento area."

Tucker said he's "absolutely open" to working with Bera or local agencies to find opportunities for affected workers.

"As those positions are displaced, we will work with the local agencies. We've already started to reach out to some of our peer industry competitors, in fact, to some extent, and said, 'Can we work together?'" Tucker said. That way "we can finish our work that we need to finish, and then make sure that our people have opportunities if the options we're giving them don't work for them personally."

Aerojet's 'moral obligation'

But GSEC CEO Broome argues that Aerojet has a "moral obligation" to the Sacramento region, and that it needs to be held accountable.

Broome said the company should offer \$10 million to \$25 million as part of a "separation agreement" to help the region recover from the 1,100 lost jobs. Broome said he arrives at that amount from instances of plant closures he's seen elsewhere in the country.

That money could be offered in the form of venture funds to support next-generation aerospace companies, or funds to boost engineering programs at California State University Sacramento.

"This community built this company for 70 years. There is a lot of sweat equity in the Sacramento region and Aerojet Rocketdyne. What's our return on the sweat equity and what's our return on working with Aerojet Rocketdyne?" Broome asked.

Tucker said he had no comment on Broome's suggestion that Aerojet offer a financial separation agreement. "That's a precedence I have no reference to, in believing that a company owes the community for support of service," Tucker said.

Rep. Bera said he isn't ready to make such a request of Aerojet. "I think it's too early to say we demand this type of payment or that type of payment," the congressman said.

"That said, we hope that Aerojet Rocketdyne is fully cooperative with us to help build on their legacy, create new jobs and recruit new companies to use some of those assets."

Sanjay Varshney, a business professor at Sacramento State, said that asking Aerojet for a separation agreement could dissuade other companies from setting up in Sacramento.

"This would be a strong disincentive for them to be here, because they will say, 'No, we do not want to go down this path, where people basically start asking us for separation checks,'" Varshney said.

Broome said Aerojet should also provide an inventory of any technology or equipment it leaves behind.

However, Tucker said there are specific procedures the defense contractor must follow when it decommissions equipment. "Our intent is not to vacate anything and leave any surplus equipment," he said. "In some cases that equipment is government-owned or government-operated."

Aerojet staff pointed out that the company has already decommissioned more than a third of the 674 buildings on its property, as the company has done less work there over the years.

Through that process, Aerojet has donated "truckloads" of surplus furniture to local nonprofits, computer components to local schools, and even an older model tanker to the volunteer Jackson Fire Department in Amador County, according to Lynn Machon, Aerojet's director of communications.

Contamination

Broome argues that Aerojet also needs to provide assurances that all contamination on its property is being properly addressed.

Part of Aerojet's property near Rancho Cordova is already designated as a Superfund site by the U.S. Environmental Protection Agency. According to EPA documents, nine groundwater extraction and treatment systems are operating there, removing an average of more than 20 million gallons of contaminated groundwater daily.

As of the end of 2014, those systems had treated 137 billion gallons of groundwater and removed more than 1 million pounds of chemical contaminants. Tucker said Aerojet is continuing to uphold its responsibility to remediate contamination of its property.

"Every year we have a plan that we execute that methodically goes after those spots that still have contamination," he said.

Tucker declined to speculate when the cleanup will be complete.

The company owns about 12,000 acres in eastern Sacramento County. Roughly half of that is used for operations, while the other half is for real estate development, through Aerojet's Easton Development Co. arm. Two housing developments, Rio Del Oro and Westborough, are already on the drawing board for the near future.

A need for manufacturing jobs

Varshney said the worst-case scenario would be for the region to continue losing private-sector jobs, particularly high-wage jobs and those in technology.

The 2017 Sacramento Economic Review, produced by Varshney and a local team of economists and financial analysts, found that employment in the Sacramento region has grown by only 10.6 percent in the past five years. That compares to 15.26 percent growth in the San Francisco Bay Area and 12.42 percent in Southern California.

Sacramento's overall growth was dragged down by growth of only 7.58 percent in the manufacturing sector.

In the meantime, the region is over-dependent on government jobs, Varshney said. He worries that unless the region diversifies its economy, the situation at Aerojet could foreshadow what's ahead when the next recession hits.

On the flip side, the loss 1,100 Aerojet jobs, out of 1.1 million total jobs in the Sacramento area, may not prove significant if the rest of the local economy continues to grow.

"You might see some other success stories where some other companies expand here, or we might see some business attraction where some new companies move into the region and create new jobs," he said.

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More on the cover story: Decision day is Aug. 1 at Aerojet

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Aerojet Rocketdyne Holdings Inc. employees who've been offered the chance to relocate have until Aug. 1 to decide.

Mike Bunter, the company's senior director of human resources, said Aerojet will pay relocation benefits to all employees asked to transfer, which includes assistance with selling and buying homes and purchasing household goods.

Employees being given the chance to relocate can also take an all-expenses paid trip with a family member to the relocation site before they decide.

The Aug. 1 date "is driven because we have to start making some decisions about future planning," Aerojet chief operating officer Mark Tucker said. "That really gives us our first way point of how many of our employees are going to accept the offer to relocate."

Company representatives did not share other details of the relocation packages being offered.

Cover story: What happens after Aerojet eliminates most of its local jobs?

Read more: Were state regulations a factor in Aerojet's decision to remove local jobs?

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Aerojet Rocketdyne Holdings Inc.'s campus near Rancho Cordova

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May 19, 2017, 5:18am PDT Updated: May 19, 2017, 6:26am PDT

When a large manufacturer like Aerojet Rocketdyne Holdings Inc. moves operations out of California, business leaders are quick to blame California's tax burden and regulations.

But such factors did not play a big role in Aerojet's (NYSE: AJRD) decision to move jobs from Rancho Cordova to Huntsville, Alabama, according to Aerojet chief operating officer Mark Tucker.

After the company's announcement last month that it was moving or eliminating 1,100 jobs from the Sacramento area, the Greater Sacramento Economic Council and others held a downtown press conference where GSEC CEO Barry Broome said state government was "anti-business," and that state leaders need to craft strategies to retain companies and attract new ones.



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One of the hundreds of buildings that already have been decommissioned on Aerojet Rocketdyne's Rancho Cordova campus over the years.

But Tucker, in a recent interview, said he wouldn't say that state taxes and regulations were "a specific factor" in Aerojet's decision.

He noted that the company is maintaining operations in Southern California. That includes El Segundo where Aerojet's headquarters was relocated from Rancho Cordova last year.

"We have operated in California for a number of years and expect to continue to do so at our California facilities," Tucker said.

The bigger issue, he said, was that the Rancho Cordova facilities have become redundant with the company's other plants around the country, including its operations in Huntsville. Meanwhile, the Huntsville facility is close to a base of the U.S. Missile Defense Agency and other key customers.

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