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To: the Honorable, the City Councillors
From: Elie Yarden
For: City Council Meeting of December 22, 1997
Subject: Polaroid property at 784 Memorial Drive

CAMBRIDGE MA.

The disposition of Polaroid assets in Cambridge and elsewhere received a certain amount of attention in the business press since the the community meeting called by Polaroid and Spaulding & Slye on December 11, and the City Council meeting of December 15. This is an update to my comments at that last meeting. The scale of the "downsizing" of Polaroid, i.e., disposal of employees and other properties of the company, described as "...a massive move to streamline operations." will result in a fourth-quarter pre-tax charge of 310 million dollars.

It will be useful to the City of Cambridge, to its citizens, and to Polaroid to enter into serious discussions about the proper disposition of 784 Memorial Drive and Polaroid's other real properties situated on the land of Cambridge as soon as possible.

With regard to 784 Memorial Drive itself, the city should negotiate a gift of this property (valued at approximately 10.5 million dollars) to the City; plus an additional contribution of 12 million dollars for the cost of cleaning and decontaminating the site. It should not cost more than 2 million dollars per acre to make the site safe for all purposes.

Once this is accomplished, the city will have added significantly to land that can be made available for mixed income housing development. The best estimates of current need for low and middle income housing make it clear that 10 thousand units are needed at this time. Improvements made to infra-structure associated with this site, should make it possible to achieve this with little added private automobile traffic.

Should the city decide that the site is more valuable and suitable as a place for library, museum, park, playground, whatever and that the amount of needed housing can be built more expeditiously elsewhere, these and other options could be considered.

The arguments in favor of taking this proposal seriously will be made at the Council meeting itself.

N.B. In making this proposal, I am speaking solely in my capacity as a citizen of Cambridge.

Enclosures:

*delivered by hand
Elie Yarden*

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2 N.E. films to slash total of 2,100 jobs

THE BOSTON GLOBE • WEDNESDAY, DECEMBER 17, 1997

Polaroid to let go 850 in Bay State

By Ronald Rosenberg
GLOBE STAFF

Polaroid Corp. yesterday said it would slash 1,500 jobs, including 850 in Massachusetts, in a renewed attempt to cut costs and boost sagging profits.

The job reductions, the third in three years for the struggling Cambridge photography company, will eliminate 13 percent of its Bay State work force and 17 percent of

its worldwide staff. The company also said it sold its chemical manufacturing operations in Freetown and would scale back production at a high-resolution coating plant in New Bedford.

It said the steps would cut costs by \$110 million within 18 months, and result in a pretax charge in the fourth quarter of \$310 million.

Despite repeated promises to turn itself around, Polaroid continues to struggle to boost film sales and cut costs amid a decline in overseas sales.

Polaroid is not the only ailing American player in the photography and digital imaging businesses, which is increasingly domi-

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Cabletron to cut 9% of work force

Struggling to rebound, Polaroid to cut 1,500 jobs,

THE BOSTON GLOBE • WEDNESDAY, DECEMBER 17, 1997

POLAROID

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nated by Asian competitors whose lower costs have enabled them to increase their US market share. Eastman Kodak Co., which reported significant losses from its digital imaging unit, recently said it planned to lay off 10,000 employees starting next year.

The latest cost-cutting moves and streamlining come as Polaroid plans to announce a series of new products including instant film cameras, digital cameras, and more computer and software equipment for digital imaging.

"These [cost-cutting] actions, de-

veloped over the past six months, are a critical part of our ongoing transformation of Polaroid into the global imaging company of the future," said Gary T. DiCamillo, Polaroid's chairman and chief executive.

The announcement angered some employees who have questioned DiCamillo's cost-cutting strategy, which began three weeks after he arrived in December 1995 with the elimination of 1,600 jobs. In February 1995, his predecessor, MacAllister Booth, cut 900 workers.

With yesterday's announcement of an additional 1,500 jobs being cut next year, Polaroid will have eliminated 4,000 jobs in just over four years. By early 1999, the company

will employ about 8,800 people worldwide — less than half of the nearly 20,000 employees the company employed at its peak in the late 1970s.

The latest job dismissals, which begin April 1, 1998, will include manufacturing, distribution, sales support, and marketing support. All dismissed workers will receive a severance package of 4 percent of their annual salary multiplied by the number of years at the company. They will also receive two years of paid medical, dental, and life insurance benefits, said Polaroid spokesman Robert L. Guenther.

The layoffs, he added, affect all the company's US operations, which,

850 in Bay State

except for sales offices, are in Massachusetts and the company's manufacturing and distribution facilities in Scotland, China, Russia, the Netherlands, and Mexico.

Guenther said \$130 million of the \$310 million fourth-quarter write-down is related to the severance and medical benefits.

The balance of \$180 million includes \$100 million related to a New Bedford plant at which Polaroid will cut usage, and the remainder for other plant and equipment.

The New Bedford facility was opened in the early 1990s for its Helios medical imaging product line. But when Helios was sold to Sterling Diagnostic Imaging in November

1996, the plant was no longer critical to Polaroid's operations. And while the plant still produces film coatings for Sterling under contract, Guenther said Polaroid is hoping to find a customer for the excess capacity of the underutilized plant.

Polaroid sold its Freetown film chemical plant to International Specialty Products Inc. of Wayne, N.J. Although neither company would discuss the price of the deal, sources said Polaroid received about \$50 million. Polaroid makes the same chemicals at its Waltham facility.

Polaroid's shares closed at 43, up 1/8 on the New York Stock Exchange. The announcement was made after trading had ended.

9-2

Polaroid to Revamp and Cut 1,500 Jobs

CAMBRIDGE, Mass., Dec. 16 (Bloomberg News) — The Polaroid Corporation said today that it would take a pretax charge of \$310 million in the fourth quarter to cut 15 percent of its work force and sell a chemical plant in an attempt to reduce costs.

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Polaroid, based in Cambridge, is the world's biggest maker of instant photographic equipment. It said it would eliminate 1,500 jobs worldwide and get out of the business of making chemicals for its own film. It has agreed to sell its chemical manufacturing operations to International Specialty Products Inc. for an undisclosed amount.

The revamping is the second such move by the company's

chairman, Gary DiCamillo, since he took the helm in late 1995.

The job cuts, plant consolidations and sale are part of Polaroid's bigger strategy to focus more on marketing and less on manufacturing in an effort to increase sales, which rose an average of 1.9 percent in each of the last five years.

Under siege from one-hour photo developers, Polaroid is betting that a revived marketing effort geared toward the young will increase revenue and provide the cash needed to invest in digital imaging. Analysts say that digital technology will pose a strong challenge to traditional film-based photography in the next century.

CAMBRIDGE, Mass. (Reuters) — Polaroid Corp. (PRD) said Tuesday it will lay off about 10 percent of its work force worldwide, or 1,500 people, sell manufacturing plants in Massachusetts and take a fourth-quarter pre-tax charge of \$310 million in a massive move to streamline operations.

Polaroid said it will sell its chemical manufacturing operations in Freetown, Mass., to International Specialty Products, of Wayne, N.J. Terms weren't disclosed.

About 60 percent of the layoffs will be in the United States, nearly all of those in Massachusetts. The job cuts will be split between manufacturing and administration.

About \$180 million of the charge will be for plant and equipment and other assets, and \$130 million for severance costs. Polaroid said the program will take about 18 months, and generate annual savings of about \$110 million.

Within the \$180 million charge, Polaroid will use \$100 million to write down plant and equipment at its New Bedford, Mass., coating facility and will consider strategic options for the future use of the plant.

Gary DiCamillo, chairman and chief executive officer, said the plan is "a critical part of our ongoing transformation" into a global imaging company. He added that once the program is complete, "We expect to have reduced overhead to less than 30 percent of sales," allowing Polaroid to be "lean enough to compete profitably against the world's best technology companies in traditional digital imaging markets."

Polaroid
results fall in
3Q - Oct. 16,
1997

Polaroid
copies Kodak
- Sept. 16,
1997





Blue Christmas

Polaroid and Cabletron to lay off 2,100

By TODD WALLACK

Polaroid Corp. and Cabletron Systems Inc. put a damper on holiday spirits yesterday by announcing 2,100 layoffs, most of

them local.

Polaroid delivered the biggest blow late yesterday, disclosing plans to cut 1,500 jobs, 15 percent of worldwide employment, over the next 18 months. At least 750

of those are expected to come from the instant imaging giant's local work force.

Another 600 jobs will be eliminated at Cabletron, which said it would shut plants in Andover and

Nashua, N.H., as part of its effort to slim down. The Rochester, N.H., maker of computer networking systems has been struggling recently.

"It is a shame that Cabletron

would fire people right before the holidays," said Dennis Rounsaville, an engineer at the Nashua plant who will keep his job. "A lot

of people are gone."

In Cambridge, Polaroid spokesman Robert Guenther shrugged off the timing of the local cutbacks.

"I don't think there is ever a good time for layoffs," said Guenther. But, he added, if he was losing his job, "I would feel a little better knowing before I loaded up on Christmas presents."

Still, some Polaroid workers won't know for months if they will lose out, while others were told immediately, Guenther said. Polaroid employs 10,300, including 6,500 in Massachusetts.

Guenther said the cuts were divided evenly between overhead and manufacturing, and 60 percent of the layoffs would be made in the United States. That means a majority of the cuts will likely come in

Massachusetts, where Polaroid has 90 percent of its U.S. operations.

It's the second major round of cuts since 1995, when Polaroid Chief Executive Gary DiCamillo took over and slashed 1,600 positions. Polaroid has been wrestling with stagnating sales in its instant film.

"(DiCamillo's) got a product nobody wants," said one analyst. To boost sales, Polaroid began a major wave of product introductions, covering everything from an overhaul of its instant film to a U.S. line of sunglasses. But most of the new products won't be available until next year.

For now, Polaroid's U.S. revenue barely has budged in a decade and now stands at about \$1 billion a year, though DiCamillo has been pushing to revive sales.

DiCamillo wasn't giving interviews yesterday, but said in a state-

ment that "the new Polaroid will be lean enough to compete profitably against the world's best technology companies . . . and robust enough to seize quickly new market opportunities." Polaroid will pay a price to get there, though. It will take a pre-tax restructuring charge of \$310 million, including \$130 million in severance costs. The company hopes to save \$110 million a year and reduce overhead to less than 30 percent of revenue.

Polaroid will take \$180 million in write-downs, including \$100 million for a New Bedford coating plant. Guenther said the company built the plant in the early '90s for its Helios medical imaging products, which haven't taken off. The plant's future is now uncertain.

The layoffs brought mixed reaction from Wall Street, where investors learned of the move after the

stock market closed.

Larry Jeddeloh, an analyst with TIS Group in Minneapolis, said he thought it was a "fairly good move" and noted other companies with international sales — Hasbro, Singer and Philip Morris — are also paring operations. "This opens the window to get their costs down," he said.

But another analyst, who asked not to be named, said Polaroid hasn't been able to maintain its U.S. market and could be hurt hard by financial turmoil overseas.

"DiCamillo's problems are just staggering, and the last thing he needed for Christmas out in Wellesley was for Asia to roll over."

Polaroid's Guenther cited two reasons for the cuts: Outsourcing — or shifting work to other companies — and new competition in digital imaging. As Polaroid focuses more on digital imaging, Guenther said

the company needs to pare costs to compete with computer companies and consumer electronics firms with lower overhead.

Polaroid also said it would sell its small, underused chemical manufacturing operations in Freetown to International Specialty Products Inc. of Wayne, N.J. Valued at around \$50 million, the sale involves 75 workers, who will move over to ISP.

Polaroid officials have been contemplating the layoffs over the last six months, but announced them yesterday because of the ISP sale and a desire "to start '98 with a fresh slate," Guenther said.

One worker at Polaroid's Waltham plant said he thought the announcement was going to be made tomorrow. He declined to comment, however, except to say he wanted to check first to find out if he still had a job.

Consent Communication #9

5-803

Communication was received from Elie Yarden, regarding the Polaroid property at 784 Memorial Drive.

In City Council December 22, 1997

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