

Publication: Jnl Final Edition 8/2005-today; Date: Aug 23, 2008; Section: Front Page; Page: A1



# ECLIPSE LAYOFFS

## FIGHT TO SURVIVE

### 1 Out of 3 Workers Given Pink Slips as Company Retools

Copyright © 2008 Albuquerque Journal By Richard Metcalf Journal Staff Writer

The typically bustling production floor at Eclipse Aviation was empty and deadly quiet early Friday morning as employees assembled in the break room to hear the news: One out of three of them just lost their jobs.

"A very sad day" is how one suddenly jobless employee described it. "We all knew something was coming."

A total of about 650 employees got pink slips at the headquarters and manufacturing hub in Albuquerque as well as at major service centers in Albany, N.Y., and Gainesville, Fla., the company announced Friday. Most of the layoffs are in Albuquerque.

"The impact of this action will be a slowdown in the production of Eclipse 500s through 2008," Eclipse said in its news release. "In 2009, Eclipse intends to increase production back to previous levels and higher."

The laid-off employees include temporary workers and those employed less than six months, the company said. Two weeks ago, Eclipse laid off another 190 temporary workers.

The company's total employment is now at 1,100.

The loss of 600 high-paying jobs is bad news for a city and state that are experiencing anemic economic growth, but city and state officials were optimistic Eclipse would emerge a stronger company.

"Albuquerque is experiencing what all cities are experiencing. The economy is slowing," said Mayor Martin Chávez. "We'll see how Eclipse comes back."

The firm arrived in New Mexico 10 years ago amid fanfare that it would revolutionize the light jet industry and be a huge economic boon for the state, attracting other aviation industry companies.

But the company has faced numerous delays, and production levels still remain far below those forecast.

Friday's announcement comes on the heels of the ouster of the company's founder, Vern Raburn, and news that a congressional committee and the Federal Aviation Administration are looking into complaints about the Eclipse 500's certification.

On Friday, Gov. Bill Richardson told the department's Rapid Response Team to mobilize to help those employees who had lost their jobs. By late afternoon, the department had received 100 inquiries from laidoff Eclipse employees seeking information about unemployment benefits, the state's Department of Workforce Solutions spokeswoman Carrie Moritomo said.

Those workers losing their jobs were given the equivalent of one week's pay for every year worked, a laid-off employee said in an e-mail.

"My manager was definitely affected by the situation," he said. "He told me face to face and at least looked me in the eye and acknowledged my situation."

He added about his manager, "He was also very upset and pragmatic that more layoffs could affect him later."

#### **'Necessary' reduction**

The layoffs are part of what the company calls an "operational excellence strategy."

"In my effort to take Eclipse Aviation to the next level of growth and sustainability, I am 100 percent focused on operational excellence and a plan to achieve it," CEO Roel Pieper said in a news release.

"Financial stability is critical for this company and unfortunately, a reduction in work force was necessary to achieve it," he said. "I am confident this action will set the company on the path to profitability so we can continue to lead the very light jet category."

Eclipse has relied on investment dollars to finance its operation, and has used more than \$1 billion in investor money since its inception. Pieper's Netherlands-based technology and investment firm is the latest big investor.

The layoffs come in the midst of an FAA review of the Eclipse 500 jet. A seven-member team is in Albuquerque looking into aircraft safety and certification issues with the plane. The review stems from pilot complaints about the 500's performance, as well as allegations that the FAA rushed the plane's certification in 2006.

In addition, the House Transportation and Infrastructure Committee has scheduled a Sept. 17 hearing in Washington, D.C., to look into the allegations of a rushed certification.

### 'That's a big number'

Mayor Chávez had signaled layoffs were coming at Eclipse in a story published in Friday's Journal, but the number of people losing jobs was higher than expected.

Instead of layoffs in the "low hundreds," as Chávez had said, 600 people were discharged. "That's a big number," he said Friday, adding that he low-balled the number because of miscommunication with the company.

Chávez reiterated his earlier statement that the layoffs are temporary while Eclipse retools its assembly line for more efficient production of the 500 jet. But the state's Workforce Solutions Department is treating them as permanent. Eclipse Aviation did not say whether they were temporary or permanent.

A temporary layoff is defined as less than six months under the WARN Act.

The company built 104 jets in 2007, its first year of production. So far this year, about 145 have been completed. The company has said it has back orders for 2,600 more.

The layoffs also do not affect the \$45 million in industrial revenue bonds that the city of Albuquerque approved for Eclipse in 2004, Chavez said.

### Was notice required?

Normally, a company is required by federal law to give a 60-day notice of mass layoffs to the Department of Workforce Solutions.

The Worker Adjustment and Retraining Notification Act, better known as the WARN Act, exempts a company if the laid-off workers are either parttime or have been employed less than six months. At this stage, Eclipse's layoffs appear to fall under the exemption — although there seems to be growing evidence of veteran workers among the discharged, said Moritomo

Companies that don't provide the required notice can be subject to fines of up to \$500 a day for each violation. As of Friday, there was still no notice under the WARN Act, although the company had contacted the state, said Moritomo. Eclipse informed the department that up to 600 laid-off employees would need help.

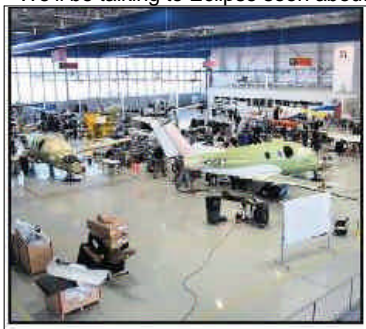
### CNM programs

The impact is still unclear on Central New Mexico Community College's training programs.

Many of the laid-off workers had completed a 12-week training program to become entry-level aircraft manufacturing technicians.

Established three years ago to train workers specifically for Eclipse, the program has graduated approximately 600 people, said Susan Wilson, vice president of external affairs at CNM. Developed jointly by Eclipse, CNM and Eastern New Mexico University-Roswell, the program fee is \$600, half of which is paid by Eclipse and half by the student. Just one week before the layoffs, 60 students graduated from the program, Wilson said. Another 60 students are taking the program at CNM's Workforce Training Center.

"We'll be talking to Eclipse soon about their interest in the continuation of this program," she said.



**JOURNAL FILE TOP:** In apparent preparation for retooling the assembly line to produce the Eclipse 500 jet, shown here, Eclipse Aviation laid off about 650 workers in Albuquerque on Friday.



ABOVE: Eclipse Aviation has yet to produce the light jets at the rate anticipated.



**ECLIPSE  
AVIATION**

**ECONOMISTS  
DESCRIBE  
IMPACT**

■

**RAPID  
RESPONSE  
TEAM  
ASSEMBLED**

■

**JET DEALER  
SAYS SALES  
SLOW**

More coverage  
on C9



**JOURNAL FILE** A crowd gathered to see the rollout of the first Eclipse 500 jet in July 2002. FAA certification followed in 2006.