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Is Northrop the next defense firm to join the L.A. exodus?

Company is supposedly studying alternative sites

BY TIM DEADY
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In what could turn out to be a major blow to the Southland economy and its aerospace industry, Northrop Corp. is studying whether it wants to remain in Los Angeles County or move out of the area, according to an industry observer.

Northrop spokesman Tony Cantafio would not confirm or deny whether the company is considering moving any of its operations, which includes major aircraft assembly plants, out of the county or planning new facilities elsewhere.

The loss of any or all of Northrop's facilities would be a major setback for the county, which is already reeling from severe cuts in the aerospace industry. About 29,000 of Northrop's 36,000 employees are based in Los Angeles County, including the company's headquarters in Century City, and manufacturing, research and testing facilities in El Segundo, Pico Rivera, Hawthorne and

Palmdale.

The source, who did not want to be identified, said the aerospace/defense company may have decided to launch what it calls a "competitive assessment" study for two reasons: The uncertainty about further funding of the controversial B-2 stealth bomber program (see related story page 11), and the lack of interest by other contractors in teaming up with Northrop on the proposed AX fighter aircraft project in pricey Southern California.

Northrop spokesman Cantafio said, "We are committed to trying to stay in California and believe that legislators should be committed to making it possible for us to stay here by streamlining some of the bureaucratic maze of permits that are required in California."

Cantafio said he had no knowledge of the competitive assessment study. Regarding the AX project, Cantafio commented: "Any time you are considering a major project you look at all the options. You review where you are now, whether you should stay in California. That is just prudent business that any other business would do too."

Northrop has never before been mentioned as one of the defense contractors that are considering relocating out of Los Angeles County. Northrop Chairman Kent Kresa has been active in efforts to keep the aerospace industry, the largest segment of L.A. County's manufacturing base, from leaving the area. Aerospace contractors, like other industries, have complained about the high cost of doing business in

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California.

Business executives who are working to keep the industry in Los Angeles County were surprised to hear that Northrop may be looking to relocate operations.

"It's like throwing cold water in my face," said Ron Cedillos, chairman of the Californians for Aerospace Leadership, a group organized earlier this year to keep the industry in the state and in Los Angeles County. "I can't blame any company for assessing the economic impact of doing business in any geographic area. This is all the more reason that the state and federal legislators from California need to aggressively act and do whatever they can to support this important element of our economy."

Since 1986, Los Angeles County has lost an estimated 60,000 aerospace and defense industry jobs, mainly because of cutbacks in defense spending. There are now about 236,000 people employed in the county by prime or military subcontractors.

Major defections have included Calabasas-based Lockheed Corp. closing down most of its Burbank operations and moving them to Marietta, Ga., and Douglas Aircraft Co. in Long Beach deciding to build its proposed new MD-12X widebody commercial aircraft out of state. The Lockheed move eliminated about 6,000 Los Angeles County aerospace jobs.

Another Los Angeles-based contractor, Hughes Aircraft Co., has said it will not build any new facilities in Southern California.

The source said the study has been launched to determine the viability and

profitability of Northrop doing business elsewhere as opposed to staying in Los Angeles, with its high cost of living and strict environmental regulations. The source noted that Northrop recently announced that it was adding personnel at its facility in Georgia.

"Assembly operations of 747 (the widebody commercial aircraft) doors and fuselage panel frames is in the process of being moved to our facility in Perry, Ga., where this type of work can be done more economically," Northrop reported in its 1990 annual report.

Northrop officials have said that with the cuts in defense spending, they will seek more commercial work.

The source said a possible reason for the study is that Northrop has been unable to find another contractor to submit a joint proposal to build the AX fighter for the

U.S. Navy. "Northrop is going it alone because no one wants to share in the costs of building the plane in Los Angeles. Contractors are thinking it's too expensive to get tied into a major project here. It might be more cost effective to build it elsewhere with another company," the source said.

Northrop may also be considering a move to reduce costs because of the uncertainty about further funding of the B-2. About 12,000 Northrop employees now work on the B-2 and about half of the company's \$5.4 billion in (1990) annual revenues come from the project.

"We intend to produce the B-2 here. We have over \$1 billion invested in the project at Pico Rivera so we intend to stay there," said Cantafio, the Northrop spokesman.

The source raised the possibility that the study is also being done to exert pressure on the state to do more to keep the industry from relocating. Cantafio was unavailable later to respond to that assertion.