



DuPont to cut 1,700 jobs in Delaware



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CEO Ed Breen: 'I wanted you to hear the difficult news – directly from me'; more than 1 in 4 positions will be eliminated



(Photo: JENNIFER CORBETT/THE NEWS JOURNAL)

Just weeks after DuPont Co. announced plans to merge with Dow Chemical, the Delaware company notified employees Tuesday that about 1,700 jobs will be eliminated here by early 2016, marking one of the largest single mass layoffs to hit the First State in recent history.

DuPont Chief Executive Ed Breen announced the layoffs, which account for 28 percent of its current Delaware workforce, in a memo sent to DuPont's roughly 6,100 Delaware employees on Tuesday – just four days after Christmas.

Several hundred of those DuPont employees will receive notice in January that their jobs are being eliminated; others were notified earlier this month.

All 1,700 workers are expected to leave the company by the end of March. Employees contacted by The News Journal on Tuesday declined to comment on the layoffs.

Breen said he chose to announce the full scope of the job cuts now – even before many employees have received a pink slip – because DuPont is required to detail the layoffs in a state filing due by Thursday.

DuPont provided no additional details about the filing, but it is believed to be a notice required under the federal Worker Adjustment and Retraining Notification Act, which demands that employers give notice of a mass layoff. The triggers for filing depends on several factors.

“Especially given that we are in the middle of the holidays, we would have preferred to wait until individual notifications were complete before reporting the full local impact,” Breen wrote in the memo. “... I wanted you to hear the difficult news – directly from me.”

Although DuPont will eliminate more than 1 in 4 of its positions in Delaware, the company is not expected to shutter any of its local facilities, company officials said. Those facilities include DuPont's Chestnut Run Plaza headquarters, where about 3,000 employees now work, the Experimental Station in Alapocas with about 2,500 workers and the Stine Haskell Research Center, near Newark, which has about 600 employees.

DuPont officials declined to say how many jobs would be cut from each facility.

All Delaware workers laid off by DuPont will receive a separation package, career placement services and training allowances based on years of service, company officials said.

"I think DuPont has an obligation to let the public and investors know if Delaware is still in the company's future after 213 years there in the state," said Jeffrey Sonnenfeld, a business professor at Yale University. "I still don't see what the vision is."

The impending job cuts are part of DuPont's \$700 million global cost savings and restructuring plan announced Dec. 11. That restructuring already has resulted in jobs cuts, consolidated divisions and halted projects.

In October, DuPont announced it ultimately hopes to eliminate 5,000 positions worldwide, 10 percent of its global workforce, in an effort to slash \$1.6 billion from its budget by 2017.

Most of those layoffs are expected to occur ahead of DuPont's proposed merger with Dow Chemical Co., slated for completion sometime in 2016. Under the merger, Dow and DuPont would form DowDuPont, a \$130 billion behemoth, and then separate into three independent companies: agriculture and chemicals, material sciences and specialty products.

"DuPont's announcement today is deeply disappointing, especially to the thousands of Delawareans who helped this company grow and succeed for generations," Gov. Jack Markell said in a statement. "DuPont's number one asset is its people, and the innovations that the company has produced during its storied history are a testament to the quality of those people."

Breen briefed Markell before the announcement and "made clear that DuPont's decision was made after a great deal of internal discussion and that it was not open to reconsideration," spokeswoman Courtney McGregor said.

New Castle County Executive Thomas P. Gordon also lamented the news.

"I think they are going to take most of the company out of here before it is all over, and they are doing it quickly," Gordon said. "I don't think they needed to move this quickly. To me, [Nelson] Peltz is the Grinch who stole Christmas."

Peltz is the activist investor who fought a proxy battle with DuPont earlier this year. Though he lost that fight, many analysts have said Peltz's pressure spurred the company to make deeper cuts.

"They are going to make money for the stockholders, devastate the city where it was born and leave us the pollution," Gordon said. "Dow's got control, and they don't seem to me to much care about Delaware."

DuPont's layoffs tempered an October announcement that JPMorgan Chase plans to add 1,800 Delaware jobs by 2019, said James L. Butkiewicz, chair of the University of Delaware's economics department. Last week, the company paid \$6.5 million for a 1.6-acre surface parking lot at Second and King streets in downtown Wilmington.

"There is some offsetting news on the other side," he said. "It is not much solace to the DuPont people, but it is good news for the state, in the fact that other industries appear to be expanding."

The news coming out of DuPont on Tuesday wasn't all bad for Delaware.

Along with the layoffs, the company announced it will be locating its post-merger specialty products business in Delaware, although an exact site has not yet been determined.

"It is very unfortunate for all these people losing their jobs, but the best thing we can say about the bad news is that I feared it would be worse," Butkiewicz said. "I wasn't sure what would even be left for Delaware. The fact that they will keep a headquarters in Delaware is positive."

It is not yet known how many workers that new business will employ, although it is expected to include several current DuPont business units – such as nutrition and health, industrial

biosciences, safety and protection, and electronics and communications – along with Dow's electronic materials business.

"I am pleased that DuPont has committed to basing its Specialty Products business here," Markell said. "We look forward to doing all that we can to promote the success of that business and will continue to urge DuPont and Dow to see the value of locating other businesses here in Delaware where they have grown and succeeded in the past."

The companies' post-merger material sciences business will be located in Midland, Michigan, the corporate home of Dow Chemical.

A corporate headquarters for their post-merger chemical/agriculture businesses, meanwhile, is still in play.

Some of Delaware's top elected officials said they plan to work with DuPont to ensure that business is eventually headquartered in Delaware.

"The announcement made today that DowDuPont's Specialty Products division will remain in Delaware comes as a small but welcome break in the clouds," said U.S. Sen. Thomas Carper, D-Del. "The fight, however, isn't over. It's also absolutely critical that the agriculture business is headquartered here in our state, and the Congressional delegation will work alongside Governor Markell, the Delaware Legislature, and business and community leaders to do our part to ensure it is."

John Boyd, president of the corporate relocation consulting firm Boyd Group Inc. in Princeton, New Jersey, said it is unlikely Delaware would retain the post-merger agriculture business. He said more likely candidates are St. Louis; Kansas City; or Omaha, Nebraska.

"That is a region of the country that has a wealth of agricultural universities," he said. "That would be a logical destination for that division."

The announcement that DuPont plans to cut 1,700 Delaware jobs comes less than two weeks after the company confirmed it had already started eliminating hundreds of high-paying research and development jobs in the state.

Those cuts are only the latest DuPont has undertaken since Breen became the interim CEO in October, in addition to the cuts that occurred under former CEO Ellen Kullman.

After the 1,700 positions are eliminated in the coming weeks, DuPont will have reduced its workforce in Delaware from about 7,000 in early 2014 to about 4,400 in early 2016 – a decline of about 37 percent.

"Today's announcement is very unfortunate for those workers in Delaware, but it should not come as a surprise to anyone," said Matt Arnold, an analyst with Edward Jones in St. Louis.

"When you're doing these kinds of layoffs companywide, you're going to look at those positions that can be cut without changing the customer experience, and for DuPont, a lot of those jobs reside in Delaware."

Arnold said Delaware should brace now for additional DuPont job losses.

"It's impossible to know for sure," he said. "But realistically, I think there is a high potential for it."

This fall, DuPont reported operating earnings of 13 cents per share for the third quarter, down from 39 cents per share in the third quarter of last year. Third-quarter sales were \$4.9 billion, down 17 percent compared with the same quarter in 2014.

Despite those losses, Sonnenfeld said the ongoing job cuts, particularly among scientists working in research and development, is perplexing.

"What they're cutting now is muscle and bone – not fat – all to impress some misguided investors," he said. "There were 20 Fortune 100 companies that missed earnings expectations more than DuPont, but they all had boards with the fortitude to understand they can have a bad quarter and still survive."

U.S. Rep. John Carney, a Democrat running for governor in November, released a statement Tuesday calling DuPont's most recent announcement "a punch to the gut as we're closing out the year."

"This isn't about bottom lines or shareholder value for us – it's about our friends and neighbors whose lives are being turned upside down," he said.

Carney said Delaware's congressional delegation would "fight hard" to prevent future layoffs and keep the agriculture business in the state.

U.S. Sen. Chris Coons, D-Del., said he also plans to scrutinize the proposed merger between DuPont and Dow in the Senate Judiciary Committee.

"This is a devastating day for the state of Delaware, and my prayers are with the thousands of families who received this incredibly difficult news today," he said in a statement released by his office. "DuPont has been more than just a source of jobs. It has also been a source of pride and a symbol of Delaware's unique history of innovation and public service."

Gordon said he has been reaching out to see if the company's pensioners are organized because, if they can come together to protest the merger before Congress, he feels they may be able to secure their benefits.

"If all these employees got together and went to Congress, it might make it a little difficult for them to do this merger," he said.

The Delaware Department of Labor has offered "immediate on-site assistance" to all the affected workers, Markell's office said. Those employees' résumés will be entered into the state's Job Link Database.

"Any company would be well served by capitalizing on this available talent," said McGregor, the Markell spokeswoman. "And we we plan on using that talent to market these individuals to prospective employers in the coming weeks."

Boyd agreed that the job losses at DuPont could translate into a boon for other companies in the area.

"That is how it is going to be positioned by the economic development foot soldiers in Delaware, and it is true," he said. "Chemical engineers aren't growing on trees so you will get interest from companies in the chemical and energy sector that will view this as an opportunity."