



Delaware Residents Say MBNA's Takeover Will Cost Jobs, Revenue

By Jef Feeley - August 26, 2005 00:04 EDT

Aug. 26 (Bloomberg) -- Since MBNA Corp. agreed in June to be sold to Bank of America Corp., just about everyone in Delaware, where the Wilmington-based credit-card issuer is the state's biggest employer, has likened the \$35 billion acquisition to an economic tsunami.

"The loss of these jobs will cut the throats" of small businesses, said Rebecca Abounabet, who owns a pizza-delivery service less than a mile from an MBNA call center in Newark. At least 20 percent of her orders come from the facility, she said.

Bank of America, based in Charlotte, North Carolina, plans to cut 6,000 jobs from the combined company to help save \$850 million. While the second-biggest U.S. bank hasn't said where jobs will be lost, the cuts are most likely "where you have home-office functions that are duplicative," Chief Executive Officer Kenneth Lewis said at a June 30 news conference.

Delaware is likely to lose more than 4,500 jobs, said John Boyd, founder of Boyd Co., a corporate-relocation company based in Princeton, New Jersey. The potential cuts, equal to about 1.1 percent of the state's workforce, may hit everything in the \$49 billion economy from home prices to charitable donations, he said.

Job losses at MBNA will hurt businesses that supply the bank, the largest independent U.S. credit-card issuer, said George Sharpley, an analyst with the Delaware Department of Labor.

The takeover is "really creating some anxiety," said Peter Davisson, a partner at commercial real-estate developer Jackson Cross Partners LLC in Wilmington. "I've been hearing people talking about this everywhere, at the grocery store, the golf course and the gas station."

Banking Center

MBNA employs 10,500 of Delaware's more than 400,000 workers. Wilmington, the state's largest city, has a population of 72,000. Delaware is the smallest U.S. state after Rhode Island.

“Bank of America already has its own lawyers, accountants and human-resources people in Charlotte,” said Boyd, who has worked with financial companies to relocate call centers. “The buyer usually sticks with the people that know its system, rather than retraining employees from the acquired company.”

Delaware has grown into a banking center since 1981, when the government sought to diversify the economy by removing limits on credit-card interest rates and cutting taxes on banks. Wilmington is home to Wilmington Trust Corp. and WSFS Financial Corp.; Juniper Bank, owned by London-based Barclays Plc; and ING Direct, a division of ING Groep NV of the Netherlands.

The financial sector accounts for 45,000, or about 11 percent, of the state's total jobs. That's more than twice the national average, said Philip Hopkins, an economist at Global Insight Inc. who follows Delaware's economy.

Office Space

“When you emphasize a particular sector, like auto making or banking, you have to be prepared for some pain when the jobs go away,” Hopkins, based in Eddystone, Pennsylvania, said.

MBNA, founded in 1982 by Maryland National Bank executives led by Charles Cawley, built itself into the world's biggest standalone issuer of credit cards by marketing cards affiliated with universities, companies and sports teams.

The company eclipsed DuPont Co., the third-biggest U.S. chemical maker, as Delaware's largest private employer and turned Wilmington's former county courthouse into part of its headquarters complex. DuPont, which began making gunpowder along the Brandywine River in 1802, has 8,100 workers in the state.

Wilmington may be left with a glut of office space because of the MBNA cuts, said Leigh Johnstone, a partner in the Wilmington office of real-estate broker Grubb & Ellis. The loss of 6,000 jobs would vacate 1.2 million square feet, enough to fill a 60-story building, he said.

Help Finding Jobs

“That much office space would not be easily absorbed in this market,” Johnstone said. Wilmington's tallest building is the 22-story Chase Centre.

Delaware officials say they will try to help former MBNA workers find jobs with other financial institutions. Delaware's unemployment rate was 4.1 percent last month, below the national average of 5 percent, after adding 9,000 jobs in the past year, according to the state.

“This is probably as good a time as any for this,” said Judy McKinney-Cherry, head of the state's economic development agency. “We will feel some pain, but there are still opportunities for people who want to work in the financial field in Delaware.”

WSFS had 24 jobs listed in the state on its Web site on Aug. 17, including tellers and customer-service representatives. Wilmington Trust had 23. PNC Financial Services Group Inc., based in Pittsburgh, had 61 positions open in Delaware.

Charity

The city of Wilmington may lose more than \$2 million in payroll taxes if all 2,750 jobs are lost, said John Rago, a spokesman for Mayor James M. Baker. The city has a fiscal 2006 budget of \$96.6 million. DuPont is the city's second largest employer with 1,512 positions.

Replacing MBNA's charitable donations may be even more difficult than generating jobs for fired workers, Jackson Cross's Davisson said. The MBNA foundation, founded in 1997, has given out more than \$40 million, including \$1 million to help renovate the Delaware Art Museum and a \$3.7 million loan to a Catholic group building low-income housing in Wilmington.

``I'm sure Bank of America has a budget for charitable giving," Davisson said. ``I'm also sure it won't reach the level that MBNA hit in its heyday."

To contact the reporter on this story: Jef Feeley in Wilmington, Delaware at jfeeley@bloomberg.net.

To contact the editor responsible for this story: Patrick Oster in New York at poster@bloomberg.net.