

## Chemours layoffs spark relocation fears

[Jeff Mordock, The News Journal](#) 5:55 p.m. EDT June 2, 2015



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Chemours' recent layoffs have rekindled fears the company could relocate outside of Delaware after it's spin off from DuPont is complete.

Jeff Flynn, Director of Economic Development for the City of Wilmington, confirmed the city, in partnership with the state, extended a package of incentives to retain Chemours. Flynn declined to provide details about the package because the offer could change during the course of negotiations.

The company, which will be spun off from DuPont on July 1, remains non-committal about remaining in the state and is scouting possible locations.

“Chemours has not made a final decision regarding its ultimate headquarters location, and will continue to evaluate its longer term headquarters needs,” said DuPont spokesperson Dan Turner.

Chemours is actively engaged in talks with other Mid-Atlantic states about a potential relocation, according to Bud Freel, a Wilmington City Council member. He said the city is trying to keep Chemours, but was unaware of the incentives that are being offered.

DuPont last week cut between 5 and 7 percent of its performance chemicals’ unit work force roughly one month before the unit is spun off to create Chemours. The layoffs occurred at the unit’s worldwide locations, including Delaware.

Roughly, 9,100 globally, including about 1,200 in Delaware worked for the unit before the layoffs. The Delaware employees work at DuPont’s former headquarters in downtown Wilmington and the Experimental Station on Route 141 in New Castle.

John Boyd, a principal of The Boyd Co. Inc., advises companies on relocation. He said the layoffs could be a sign Chemours is looking to shop itself by becoming leaner and thus more attractive for a potential merger.

“If it was any other company, you could write layoffs off as a normal tweaking of the workforce,” Boyd said. “But when you scratch beneath the circumstances of Chemours and look its history, real estate footprint, etc., it could be the first phase of an eventual move.”

A potential change of address for Chemours could create several difficulties for the city of Wilmington. A departure could have a multiplier effect reducing revenue for delis, restaurants and other downtown businesses that rely on the patronage of Chemours employees.

Another concern is the city’s ability to develop a budget if it lost roughly 1,200 employees generating a city wage tax. Currently, the city collects 1.25 percent on all salaries generated within Wilmington. Freel said the city does not know how many Chemours employees are going to replace the DuPont workers who left the building earlier this year for a suburban complex in Chestnut Run. He added that the city also does not know how Chemours employee salaries will compare to their DuPont predecessors.

“This is a big issue for the city of Wilmington,” he said. “We took in a fair amount of money from the DuPont employees with a lot of them in high-paying jobs.”

Wilmington Mayor Dennis Williams acknowledged in an e-mail that the city is only one of many possible locations for the new company and confirmed he’s reached out to company officials to keep them here.

“We are making every effort to ensure that Chemours stays here in Wilmington where we know the company will thrive and prosper,” he said.

But it may not be Chemours' decision, ultimately, to remain in Wilmington, or even Delaware. The new company has long been seen as a potential takeover target since DuPont first announced the separation in late 2013.

Tronox Inc., a Stamford, Conn.-based DuPont competitor, has been cited by analysts as Chemours' most likely acquirer, if such a transaction occurs. Boyd agreed that Chemours would be a natural fit for Tronox.

"From what I hear, it would be a very convenient marriage for both companies," he said. "Tronox is in acquisition mode."

Boyd cited the DuPont unit's creation of widely used products as one of the reasons it could draw interest from other companies. The unit produces titanium dioxide, also known as TiO<sub>2</sub>, a pigment used in cosmetics, coatings, plastics, toothpaste and sunscreen. Another hallmark of the unit is Teflon.

One issue that could spur a Chemours relocation, according to Boyd, is the company's future headquarters. Once Chemours is spun off from DuPont, its main office will be the former headquarters of DuPont in downtown Wilmington. The building, built in 1907, is outdated and unable to accommodate a modern business, Boyd said.

"That building is an albatross in terms of business efficiency," he added. "It was designed for another era."

Jim Butkiewicz, a professor of economics at the University of Delaware, agreed the building and its location in downtown Wilmington could be an issue for Chemours.

"Occupying the building and staying in downtown Wilmington is not a decision Chemours made," he said. "It was a decision DuPont made for them."

But DuPont's Turner said the building is a good fit for Chemours.

"Chemours looks forward to establishing its business in Wilmington," he said. "The DuPont Building matches the current space needs for the international headquarters of Chemours and provides the new company with a single location, enabling them to continue to build their operating model and to establish a unique identity and culture."

Although relocating out of Delaware could cause Chemours to lose experienced workers familiar with its product line, such corporate moves happen frequently. Mercedes-Benz USA announced in February it was moving out of its long-time Montvale, N.J. headquarters in favor of Sandy Springs, Ga., an Atlanta suburb.

“It is inefficient, but it happens all the time,” Boyd said. “The cost of doing business is so much higher in the Northeast than other states. These savings are significant and make the company leaner and better equipped in the world stage.”

If the state and city were to offer an incentive package to keep Chemours, it would likely include tax breaks and possibly some property, Butkiewicz said. When AstraZeneca was considering moving its U.S. headquarters to Delaware, the state offered road improvement and construction to entice the pharmaceutical company.

Butkiewicz added the state must decide how many incentives it can offer Chemours before there is no longer an economic benefit of keeping the company here.

“The state needs to get the return that justifies the incentive,” he said. “If we have a huge vacant building downtown, the state needs to think about what that will do to the rest of the city.”

Delaware Economic Development Director Alan Levin said in a released statement that the state has a lot to offer Chemours if it opts to stay. Levin also noted the state is in discussions to retain the company.

“The state’s recent record of job growth and innovation shows Delaware offers a great environment for a company like Chemours to expand and thrive,” he said in the statement.

While Delaware holds its collective breath waiting for Chemours’ decision, Freel said time is of the essence for the state to act.

“Whatever we do, we have to quickly,” he said. “If we end up not getting any jobs at all that is a pretty big blow to the city when it comes to revenue.”