



AstraZeneca may move workers to Delaware



Jeff Mordock, *The News Journal* May 4, 2016



AstraZeneca is said to be closing a plant and relocating its workers to Wilmington, according to sources familiar with the matter. (Photo: The News Journal)

AstraZeneca's announcement Tuesday about its status in Delaware caused concern to ripple through New Castle County, but people familiar with the situation say what is coming will be good for Delaware.

"They indicated they are closing an office somewhere and moving that office here," New Castle County Executive Tom Gordon said Wednesday about talks between AstraZeneca and state officials. "They didn't say anything more than that. We think it's positive for the state."

Gordon said AstraZeneca did not reveal which office would be closed. Sources have identified a unit in Fort Washington, Pennsylvania, as the possible target, with some of the workers there being moved to Delaware.

The Fairfax-based pharmaceutical giant said Tuesday it is considering renovating its current headquarters, but might also move to a new location within the state. AstraZeneca said a final decision would be reached later this year based on "a review of all options available and conversations with third parties."

Abigail Bozarth, a spokeswoman for AstraZeneca, said Wednesday the company had no comment beyond yesterday's announcement.

On Tuesday, Paul Hudson, president of AstraZeneca's U.S. operations, emphasized the company's commitment to Delaware.

"Creating an even more vibrant work environment that furthers our evolving culture of innovation and collaboration, while staying in the state we've proudly called home allows us to leverage our legacy and continue building new capabilities for the future," he said in a statement.

AstraZeneca's announcement set off a flurry of speculation about what its plans might mean for the company's future in Delaware. Some worried it meant job cuts, especially after Chief Executive Officer Pascal Soriot said Friday the company would lay off sales and manufacturing workers to slash \$1 billion from its budget by the end of 2017.

However, the company has yet to disclose if those reductions will impact Delaware. AstraZeneca employs 2,100 in the state between its Fairfax headquarters and a packaging facility in Newark.

Gordon and others said Wednesday that AstraZeneca actually would be adding workers as a result of consolidation.

"They are committed to Delaware and moving a number of employees here," Gordon said.

The exact number of employees who will be relocated here is not yet known.

AstraZeneca leases the Fort Washington plant, which houses a unit focused on discovering emerging treatments for diabetes. The unit was created in 2007 as a joint venture between AstraZeneca and Bristol-Myers Squibb. AstraZeneca bought out Bristol-Myers Squibb's interest in 2013 for an initial payment of \$2.7 billion and up to \$1.4 billion in regulatory payments.

John Boyd, of The Boyd Group in Princeton, New Jersey, advises corporations on relocation. He said it makes sense that Fort Washington would be a target because AstraZeneca leases that property, while the company owns its facilities in Delaware.

"They may be able to get out of the lease early or might have someone who wants to sublease it," he said. "They have more control over that space than a space it owns."

Some Fort Washington employees travel back-and-forth to the Fairfax headquarters, according to sources familiar with the company. They said it would make sense for those employees to be permanently relocated to save on travel costs.

Pete Davisson is a founding partner of Jackson Cross Partners, a Wilmington-based real estate brokerage firm. Davisson has worked with corporations to scout new locations, but has no direct knowledge of AstraZeneca's plans. He said AstraZeneca likely would have internal discussions about the location that might be closed before contacting a broker, at which point the move could become public information.

Davisson said the drug maker's real estate and finance teams first will have to determine how many jobs, if any, would be cut at the Fort Washington facility, and what that would do to its occupancy level. Next, Davisson said, AstraZeneca would likely ask whether paying rent on the facility would be worthwhile after a reduced headcount and how many employees they could lose if they transfer positions to Delaware.

"It's a numbers game," he said.

If AstraZeneca is relocating workers to the state, it is unclear why it would need to move from its massive, multi-acre campus along Route 202. The campus has room for expansion, but AstraZeneca has demolished several buildings there in an effort to reduce its footprint after rounds of layoffs. It demolished 450,000 square feet of research space — accounting for 35 percent of the property's total square footage — after it phased out its entire Delaware-based research department in recent years, cutting 550 jobs at its headquarters and 600 more throughout the United States.

Gordon said the company would need to change some of its floor plans to accommodate new workers moving to Delaware as part of a consolidation.

"From the county's perspective, we will give them everything they need," he said. "We are just glad they are here and we can figure out the rest."

Gordon, however, said AstraZeneca has not asked the state or the county for any funds to remodel or move to a new headquarters.

"Neither I nor the governor were asked for a penny," he said. "It would have already been on the table."

Jonathon Dworkin, a spokesman for the governor, declined to comment on AstraZeneca possibly relocating out-of-state workers to Delaware or if it has asked for state funds.

"In a conversation with the governor today, AstraZeneca's leadership confirmed their commitment to Delaware, but you would have to talk to them about the extent of their plans moving forward," he said.