The proposed merger between DuPont and The Dow Chemical Co. will be a significant blow for the Delaware economy as layoffs and the elimination of high-paying executive jobs will result in fewer economic resources in Wilmington and broader New Castle County.

"My honest reaction is I'm concerned," said Jim Butkiewicz, an economist and chair of the Department of Economics at the University of Delaware. "We are going to lose many, if not most of these jobs. I think it's pretty apparent that Dow will move as much as they can to Michigan."

But the impact of Delaware losing its identity as DuPont's headquarters after 213 years could be even greater.

"DuPont has been the anchor of this community for 200 years or so, and has provided opportunities for many individuals who worked there, for many families," said former Governor Mike Castle. "This is a loss which is almost incalculable, if it were to happen in its entirety."

DuPont and Dow announced Friday they will merge to form DowDuPont, the world's second largest chemical company behind BASF. The new company will maintain two
headquarters. One will be in DuPont's hometown of Wilmington while the other will be based in Midland, Michigan, where Dow is based.

The board of directors for the companies unanimously approved the agreement to combine in an "all-stock merger of equals," according to a DuPont statement. They then plan to pursue a separation into three, independent publicly traded companies within 24 months.

Under the plan, Liveris will be named executive chairman and Breen will be named CEO of combined company.

The three companies will focus on agriculture and chemicals, material sciences such as plastics used in packaging and automobiles and specialty products. DowDuPont's newly created board will oversee the process to determine spinoff companies' structure.

Regulatory approval, including a government antitrust review, is necessary before the merger can be finalized.

DuPont will layoff 5,000 workers worldwide, accounting for roughly 10 percent of its workforce, ahead of the merger. It is not yet known how many Delaware employees will be impacted. The company has 7,000 workers in the state.

About $650 million in separation costs and $130 million in expenses related to contractual worker terminations will be incurred by DuPont. The layoffs are part of the company's plan to shed $1.6 billion in costs by 2017.

Dow, founded in 1897, has about 600 employees at a computer chip manufacturing facility in Newark. It has about 53,000 employees worldwide.

Gov. Jack Markell called it a "tough day" for the DuPont workers who will be laid off, but remained optimistic about the company's future in Delaware.

"There is lot we don't know yet," he told The News Journal.

For some in Delaware, the transaction signals the end of DuPont's dominance, an era that began when it started downsizing a few years ago.

"We know now what we saw coming many years, that the DuPont Co., will not longer be the company that we've known," said Rich Heffron, president of the Delaware State Chamber of Commerce. "It remains to be seen what this means for Delaware. The frustrating thing is there's not much you can do."

"The world changes," Heffron said. "Delaware not only has to compete with Pennsylvania, Maryland, New Jersey and other states. We have to compete with the rest of the world."
Others said

"I'm saddened by the disappearance of DuPont as an entity," said David Weir, a former vice president for global research and development at DuPont. "It's had such an impact on the culture and the economy of Delaware."

Weir is now director of the Office of Economic Innovation & Partnerships at the University of Delaware.

"To me, it's a sad Delaware for Delaware, with a company that's been such a prominent part of this state for so many years," Weir said. "But that's the way the world seems to be going."

Delaware Sen. David Sokola, a Newark Democrat, worked for DuPont for almost 34 years before being laid off by Chemours, the company's chemicals spinoff, in July.

"Those who are left are scratching their heads, having some heartburn and wondering what's going to happen," Sokola, who worked as an analytical scientist, said Friday. "These are my friends, I care deeply about them. I'll probably get calls from neighbors and parents and in-laws who used to work for DuPont."

"Some of them aren't really sure what options are going to be there for them," Sokola said. "There's obviously some concern."

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**Dual Headquarters**

The dual headquarters structure of the newly merged DuPont and The Dow Chemical Co. will likely be fleeting as new company deals with the expenses and inefficiencies of maintaining two central locations. And the decision could leave Delaware without a DuPont headquarters for the first time in 213 years.

"They are already planning where the new company’s headquarters will be," said John Boyd of The Boyd Group, who advises businesses on relocation and headquarters selection.

Ted Gavin, senior managing director and founding partner of Wilmington restructuring firm Gavin/Solmonese, has participated in similar deals. He said the dual headquarters system won't last long.

"In a corporate restructuring there is a lot of value to making it less complex and singular headquarters minimizes complexity," he said.
Markell and Michigan Gov. Rick Snyder have both vowed to make their pitches as the central business hub for the new company.

A confident Markell told The News Journal, he "has every reason to believe they will have a joint headquarters." But if DowDuPont does opt for a single base of operations, he said Delaware has a lot to offer the company. Among the factors in Delaware's favor, according to Markell, are a critical mass of DuPont executives, researchers, and access to the East Coast business corridor.

"They will want to go to the best business environment," he said.

Meanwhile, Snyder, in a statement, emphasized similar advantages in Midland.

"As changes in Dow’s structure occur during the coming months and years that will shape the merger of these two storied companies, we'll work with leaders to emphasize the value of Michigan’s many resources, especially its skilled people, to support its efforts in our state," he said.

But Midland and Wilmington could both be left behind as the DowDuPont seeks a third option, a move typical in giant mergers, according to Boyd.

"Where I see this going is a third location that is easy to sell to key management," he said.

When rental car agencies Hertz Corp, and Dollar Thrifty Rent A Car merged in 2012, they operated out of both companies' headquarters - Park Ridge, New Jersey for Hertz and Tulsa, Oklahoma for Thrifty. Within a few months, they decided to move to Estero, Florida, near Fort Myers.

Another notable merger, RJR Nabisco - formed in the 1985 merger between Nabisco and RJ Reynolds Tabacco Co. - also abandoned the bi-headquarters structure for New York City, viewed as a neutral site.

"I've never seen the two headquarters last very long," Gavin said.

DuPont CEO Ed Breen has a history of moving companies. When he was at General Instrument Corp., the company was relocated from Chicago to Horsham, Pa.. While at the helm of Tyco International, he moved key executives from New York and Boca Raton, Florida to West Windsor, New Jersey.

A large city that is accessible for companies throughout the country and an area with a critical mass of employees in that industry will be top two requirements for a DowDuPont headquarters, Boyd said. He thinks Chicago or Kansas City could be good fits for the fledgling company.
"Chicago is doing really well attracting head offices for its downtown," Boyd said. "It is two hours from either coast and has a superior office buildings."

With Delaware likely out of the running, the state's best hope retaining one of the two independent companies that will be spun off from DowDuPont. The divestitures will be a separate material sciences company, which will focus on plastics used in car engines and packaging, and a specialty products business.

DowDuPont is betting the divestitures will help reduce any antitrust regulatory hurdles.

Boyd said the he believes Delaware has a 60 percent chance of having one of the divestitures based here.

"You have to retain one of them," he said. "It will be a real blemish on the legacy of this governor and state government."

Gavin agreed.

"I think would one unit staying in Delaware would be logical," he said.

Both Boyd and Gavin said material sciences business has the best chance of setting up a Delaware headquarters. They noted several scientists and research facilities for the unit are already located in the first state.

"It's not a call center," Boyd said. "There is billions of dollars in capital investment."

"We will continue to advocate that Delaware's many advantages can be of major benefit to the new companies," he said. "None of this, of course, is any solace for the workers and families who will be affected by this transition. The state is committed to supporting those affected by DuPont's cost cutting in Delaware."

New Castle County Executive Tom Gordon said in a statement he hopes the new company recognizes the value of DuPont's 200-year history in Delaware, adding he hopes DowDuPont will retain as many employees here as possible.

"We are ready to help however we can," he said. "We will certainly work with Gov. Markell to encourage the new, merged company to understand the potential for growth in Delaware."

The news of a DuPont merger and layoffs hit home for some in the state.

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Dow and DuPont each have a market capitalization of roughly $65 billion.

"This transaction is a game-changer for our industry and reflects the culmination of a vision we have had for more than a decade to bring together these two powerful innovation and material science leaders," said Andrew N. Liveris, Dow's chairman and chief executive officer, in a statement.