

## Uncertainty About Future Marks DowDuPont Merger

Uncertainty surrounds the proposed merger between Dow Chemical Co. and the E.I. DuPont deNemours Co. and the merged organization's plan to split into three independent, publicly-traded businesses.

Dow CEO Andrew N. Liveris and DuPont CEO Edward D. Breen announced Dec. 11 they had found a tax-efficient way to merge the two companies into the largest seed, pesticide and chemical company in history worth \$130 billion. Called DowDuPont, the merger is expected to close in the second half of 2016.

### Labor Contracts Affected?

The DowDuPont merger itself will not affect labor contracts because it is a straight-up stock swap between the two companies.

Kent Holsing, president of USW Local 12075 at Dow's Midland, Mich., plant and chair of the Dow North American Labor Council, said that by the time the merger closes, all the Dow contracts will be just completed or be in mid-term. He said his local's contract does not expire until mid-February of 2017.

USW represents six Dow Chemical Company sites in Midland, Mich.; Deer Park, Texas; Bristol, Pa.; Knoxville, Tenn.; Elk Grove Village, Ind., and Louisville, Ky.

USW District 4 Director John Shinn said the contracts at DuPont's Buffalo, N.Y., Yerkes plant and the DuPont/Chemours Chambers Works plant in Deepwater, N.J., would be unaffected as well.

### Regulatory Approval

The question is whether regulators will allow the two chemical giants to combine without selling off parts of the business.

Investment writer John Abbink noted that the Justice Dept. will intensely scrutinize the deal, especially the agrochemical section of it.

He wrote that other authorities, particularly the European Union, will want to have input into the merger. Shareholder support is not guaranteed.

If regulators force either company to sell a part of the business before the merger is concluded in the second half of 2016, the collective bargaining agreement associated with that business may not necessarily follow with the purchaser.



"We will monitor this merger closely to ensure that any transactions that are structured as asset sales are done in a way that protects our jobs and our wages, benefits and working conditions at any site or group of sites where this happens," said USW International Vice President Carol Landry, who heads the union's chemical sector.

### Three-Way Split

Pending regulatory approval, DowDuPont will split into three independent, publicly-traded businesses within mid-2017 to 2018.

Both companies' seed and pesticide businesses will combine in the agriculture and chemicals segment.

The material sciences business will sell plastics, chemicals, construction materials and consumer products. It will be headquartered in Midland and be mostly Dow products. Many of the USW units would probably end up in this business because it will contain the traditional chemical units.

The specialty products business will favor DuPont's nutrition and health, industrial biosciences, safety and protection, and electronics and communications segments. It will include Dow's electronic materials business. Headquarters will be in Delaware.

If DowDuPont follows through with the three-way split, the labor agreements would follow into the new firms. However, contracts would have to be negotiated with successor employers at sites like Midland that may be divided among two or more split-off companies.

The new employer and union would have an obligation

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# Staff Cut in Advance of DowDuPont Merger

DuPont is continuing its own cost-cutting program in preparation for the merger and expects to eradicate \$1.6 billion this year through global layoffs and merged operations. It expects to cut 10 percent of its 54,000 worldwide employees.

On July 1, 2015, DuPont spun off its cyclical performance chemicals business into a new company called Chemours, and the USW-represented plants in Edge Moor, Del., and Niagara Falls, N.Y., became part of the business.

When Chemours ramped up titanium dioxide production at its Mexican plant, it shuttered the Edge Moor facility, causing about 130 USW Local 786 members to lose their jobs.

At the end of 2016, Chemours will shut down the Niagara Falls plant that manufactures sodium and lithium chemicals, and over 135 USW Local 5025 members will be out of work if the plant is not sold. USW is trying to find a buyer for the facility.

Now the USW will represent two DuPont plants: DuPont /Chemours Chambers Works plant in Deepwater, N.J., and the DuPont Yerkes plant in Buffalo, N.Y.

Chemours owns two-thirds of the Chambers Works plant in Deepwater, N.J., which makes feedstock chemicals, and DuPont owns one-third of the plant, manufacturing Kalrez®. The DuPont Yerkes plant manufactures Corian®, used for kitchen and bathroom countertops and sinks, and Tedlar®,

which is laminate film.

USW Local 6992 President Gary Guralny, who works at the Yerkes plant, said the company only laid off non-bargaining personnel such as engineers, designers and research and development employees.

“We told our folks to relax, the contract stays in place until the termination date in June 2017. The union will be here,” Guralny said.

“If there was to be a work force reduction the company would honor seniority,” he added.

## No USW Dow Layoffs

“I am confident there will be downsizing, but I do not believe it will involve bargained-for production employees,” said USW Local 12075 President Kent Holsing, who also is the chair of the Dow North American Labor Council. He works at the Midland, Mich., plant, which is Dow headquarters.

“On the Dow side, the company always kept staffing close to the bone, and there is not a lot of redundancy built into production.”

Holsing said the redundancy is in the white-collar jobs, such as administration and support.

“You don’t need two human resources departments, multiple R&D departments,” he said.



## Merger Will Impact Dow Corning

This year Dow will complete its purchase of the 50 percent of the Dow Corning silicone joint venture it does not own. USW represents about 600 workers at the Dow Corning site in Midland, Mich.

Holsing said that integration teams are working on Dow’s acquisition of the Corning shares and that the purchase is expected to close by May. He said he was not aware of any downsizing of the Local 12934 membership.

He said Dow always recognized the union contract at the company it bought, and he assumed it would allow the Dow Corning employees to keep their pensions because of the company’s past practice and experience with its Rohm and Haas purchase.

“It’s my understanding Dow Corning has been identified as a material performance company,” Holsing said regarding which spinoff company it will fit into.

# Synergy or Corporate Greed?

CEOs Andrew N. Liveris of Dow Chemical Co. and Edward D. Breen of the E.I. DuPont deNemours Co. say they are merging their two companies to create synergy and offer value to shareholders, but others say the merger could be a flop and destroy the scientific innovation DuPont built up over the years.

Dow and DuPont's CEOs say the merger decision was not born out of market pressures, but is instead about creating synergy between the two companies and boosting overall productivity. They plan to split the merged company, DowDuPont, into three independent, publicly-traded businesses.

"But there's no shortage of skeptics who say it's all about short-term and short-sighted gains meant to mostly benefit investors," wrote Meagan Parrish, the editor of *ChemInfo*.

## Wall Street's Influence

Kent Holsing, president of the Dow North American Labor Council, said that whenever companies merge, the people who benefit are shareholders and executives. The workers and the communities where they live do not.

The Dow and DuPont CEOs said they relied on advice on how to break up the company from corporate raiders Daniel Loeb of the Third Point hedge fund group and Nelson Peltz of the Trian hedge fund group.

Loeb owns 2 percent of Dow and Peltz owns 3 percent of DuPont. Last year Peltz tried to control DuPont by leading a rival board of directors.

The "activist" financiers expressed impatience with both companies' large management structures and the hard-to-measure benefits of scientific research and product development. They called for asset sales and cost reductions so they can extract cash more easily from the merger.

According to Forbes, the trend for Wall Street is to invest in focused businesses rather than conglomerates with operations that balance each other.

## Cut Jobs, Increase Profits

Liveris and Breen hope to eliminate at least \$3 billion in yearly expenses through plant and office shutdowns and thousands of job layoffs. DuPont plans to eliminate 5,400 of its 54,000 global employees even before the merger so it can slash \$1.6 billion from its budget by 2017.

So far, DuPont has cut research and development (R&D) jobs. R&D develops the new products that are manufactured by USW members and guarantee a company's long-term future.

Jeffrey Sonnenfeld, a Yale University business professor, told the media: "They (DuPont) are not cutting the fat, they are cutting bone and muscle. They are squandering a priceless resource (R&D) that was built up and invested in for over 215 years."

Breen counters that the company is still funding the hard sciences that led to its most successful innovations.

"The reductions we have done, to put that in perspective, takes our R&D to between \$1.6 and \$1.7 billion," he said to a Delaware newspaper. "Through the last 15 years, the R&D in DuPont has averaged \$1.65 billion...so we're in a very heavy, robust level and we're still one of the highest R&D companies in the world."

## Avoiding Environmental Liabilities?

"It's pretty obvious to see what Dow and DuPont are doing," said USW District 4 Director John Shinn. "They are taking the companies with environmental liabilities and spinning them off."

DuPont spun off its cyclical performance chemicals business last July into a company called Chemours. The Edge Moor, Del., and Niagara Falls, N.Y., plants became Chemours facilities.

**"By spinning off these two old plants with environmental legacies, DuPont eliminated its responsibility to clean them up," said USW staffer Shawn Gilchrist, who does research on DuPont and works with the USW DuPont Council.**

"Now, Chemours is responsible for the environmental cleanup. If it loses the court cases originally filed against DuPont for illnesses resulting from exposure to hazards, it will have to pay the damages.

"Will the company be able to survive? It's likely it will have to file for bankruptcy protection like Johns-Manville had to do for asbestos exposure and illness," Gilchrist added.

## A Success or A Loss?

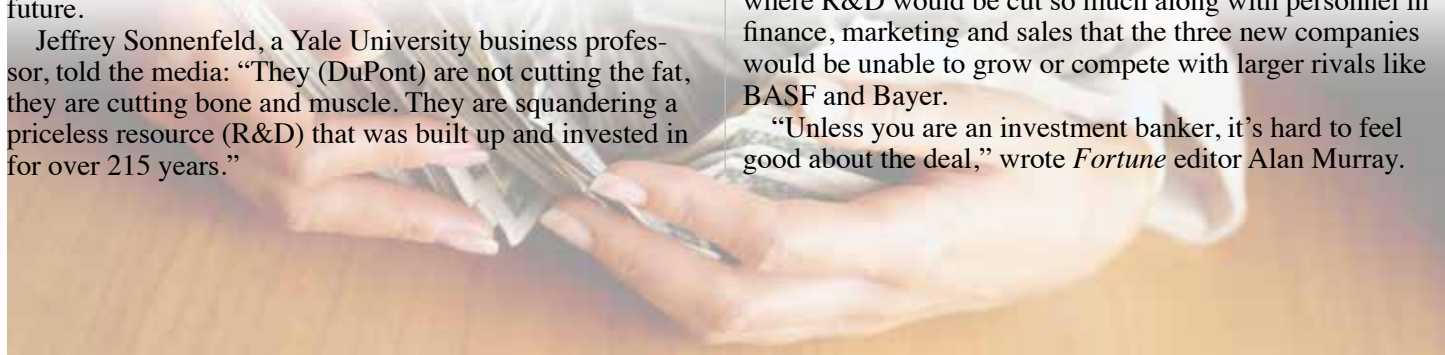
Financial writer John Bromels wrote for *Motley Fool* that "in a best-case scenario, each of the three new companies will be more streamlined and focused, leading to higher margins."

He wrote that each would use its improved financial position to fund innovation and spur growth and profitability.

"But this rosy future is far from guaranteed."

He wrote that several analysts see a negative future where R&D would be cut so much along with personnel in finance, marketing and sales that the three new companies would be unable to grow or compete with larger rivals like BASF and Bayer.

"Unless you are an investment banker, it's hard to feel good about the deal," wrote *Fortune* editor Alan Murray.



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to negotiate a new agreement that is as close to the former contract as possible.

## Impact of Split

“It’s a little early yet to see how this merger unfolds and affects us,” Holsing said. “The biggest effect to the bargaining units will be when they spin us off into three companies and how they roll that out.”

USW Local 12075 represents 850 workers at the Dow Midland site. Holsing said Midland would be most affected by the DowDuPont split, potentially having three separate companies and bargaining units. Production at the site is mostly split between agricultural chemicals and material sciences, with a small percentage focused on specialty products.

The Credit Suisse Group, a Switzerland-based multinational financial services holding company, forecasts a divestiture of DowDuPont’s herbicides group, Holsing said, and he thinks that could be negative for Midland’s bargaining unit because the site makes a lot of this product.

“The people we represent are in a wait-and-see attitude,” said Gary Guralny, president of USW Local 6992 at DuPont’s Yerkes plant in Buffalo, N.Y., and the chair of the USW’s DuPont Council. “I don’t believe anyone is going out of their way looking for jobs.”

The Yerkes site recently hired 20 new workers in the fourth quarter for union jobs, and produces Corian® for kitchen and bathroom countertops and sinks, and Tedlar® polyvinyl fluoride film.

“I’ve been told our facility will be part of the specialty chemicals company.”



A Facebook banner for the USW Chemical Workers Organization. On the left is the Facebook logo with the text "Find us on: facebook". On the right is a screenshot of the organization's Facebook page, showing a photo of workers in a factory and the text "USW Chemical Workers Organization". Below the screenshot is the URL <https://www.facebook.com/chemicalworkers>.

## New Chemical Council Formed to Build Solidarity

USW 3M locals decided to formalize their contact with each other and increase their solidarity by forming a union council like the DuPont, Dow and BASF councils.

Local 418 in Cottage Grove, Minn., hosted the council’s first meeting on Dec. 1-2, 2015, to allow USW-represented locals to meet face-to-face and compare contracts.

In attendance were Local 9-675, Guin, Ala.; Local 186, Hartford City, Ind.; Local 11-418, Cottage Grove, Minn.; Local 11-75, St. Paul, Minn., and Local 2-666, Wausau, Wis. USW District 11 Director Emil Ramirez and a staffer from the Pittsburgh headquarters also attended the meeting to show International support for the new council and discuss the International’s activities within its chemical sector.

Overall, the USW represents about 1,400 workers at nine 3M facilities.

## Lack of Consistency

At the meeting, the locals discovered that 3M, despite being a major multinational corporation with over 140 locations worldwide, did not have consistent policies across all of its contracts. Each of the locals’ contracts contained different attendance, sick time, union leave, overtime and tobacco usage language.

After exchanging agreements, the locals planned to con-

duct a thorough analysis of the contract language during the next several months.

The 3M Council will hold a meeting this year to support four of the locals that have contract expirations. It also has a goal to increase participation in the council from other USW locals and unions.



USW locals in attendance: Guin, AL - Local 9-675, Hartford City, IN - Local 186, Cottage Grove, MN - Local 11-418, St. Paul, MN - Local 11.75, Wausau, WI - Local 2-666.