Corporate Raiders Hope to Carve DowDuPont into Pieces to Sell Profitably

(Editor's note: In the 1980s, labor and the media called hedge fund managers advocating for acquisitions, breakups and other restructurings, “corporate raiders.” Today, the media calls them “activist investors.” It’s time to end the spin and call them what they are—raiders—because their game is to treat workers and businesses as Monopoly pieces.

By Kent Holsing, DNALC Chairperson

The Dow Chemical Co. and DuPont Co. merger will close Aug. 31 as regulators around the world approved the hookup. However, corporate raiders, who influenced the merger, are challenging how the combined company will be split up.

Also, former Dow Corning locals are experiencing difficulties in their transition to new ownership by Dow Chemical.

Dow Chemical anticipates to spin off the new DowDuPont, Inc. into three separate companies—material sciences, agriculture and specialty chemicals—within 12 to 18 months following the completion of the merger.

However, since the May Dow Chemical shareholders meeting, corporate raider Dan Loeb of Third Point LLC raised concerns that splitting the new DowDuPont into three separate entities will not bring out the value to the shareholders. He now argues that they should split off into six separate companies to gain an additional value estimated to be $20 billion.

Three other corporate raiders joined the fray to argue for how the combined company should be split up: Jana Partners LLC, Trian Fund Management LP and Glenview Capital Management.

Workers as Pawns

This merger is not about creating “value” or a more effective business; it is about greed with no concern for the impact it will have on workers, customers and suppliers.

The deal began like a bunch of kids sitting on the porch playing the game, “Monopoly.”

Corporate raider Nelson Peltz of Trian met with Dow CEO Andrew Liveris in 2014 to gauge his interest in a deal with DuPont. DuPont’s CEO at the time, Ellen Kullman, did not want to play, so Peltz helped push her out. Her replacement, Ed Breen, met with Peltz shortly after becoming CEO and said to count him in.

Peltz invited Dow representatives to his Palm Beach, Fla., mansion to hash out the deal, particularly where each company’s business units would go after the merged organization was split into three companies. Apparently, no DuPont representatives were present. Loeb’s two board nominees signed off on the deal.

According to media reports, Loeb seeks to carve up DuPont and combine the businesses with similar Dow lines to sell them quickly during the current record-high stock market valuations. His concern is high profits.

Interestingly, Liveris told The Wall Street Journal that “noisy” investors who lack understanding of the chemical business are attempting to push him to create value in a spreadsheet. He said he would not judge the review until it is finished, and that any changes must consider how employees would be affected.

Breen told analysts his pat answer: The goal is to “ensure maximum shareholder value is created.”

“Let’s call this deal for what it is: an attempt to enrich hedge-fund billionaire corporate raiders and corporate CEOs at the expense of cutting thousands of jobs, destroying communities, and eliminating a culture of long-term research and development,” said USW Vice President Carol Landry.

Challenging Transition

Meanwhile, since Dow Chemical’s acquisition of Dow Corning in June 2016, Corning is transitioning to the ways of its new owner, and this is proving to be a challenging shift for (continued on page 2)
DowDuPont Deal Enriches Wall Street Over Employees

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the union-represented sites in Midland, Mich., (USW Local 12934) and Elizabethtown, Ky., (ICWUC/UFCW Local 970). An uptick in grievances and unfair labor practices is occurring as the local unions confront the company over some of the changes it is pursuing.

Like the Rohm & Haas locals in Deer Park, Texas, Louisville, Ky., Knoxville, Tenn., and Bristol, Pa.—which faced similar problems when Dow Chemical acquired their company in 2009—the former Dow Corning locals in Midland and Elizabethtown are developing their strategy while confronting the company. Ultimately, members will have the final say when they enter into negotiations once their contracts expire in 2018 for Elizabethtown and 2019 for the former Dow Chemical plant in Midland. Dow Chemical likely will attempt to force its agenda at the bargaining table.

Contract Extension
USW Local 12075, representing the 750 members at the Dow Chemical Michigan Operation-Midland plant, ratified a four-year contract in December 2016, which provided an initial 3.5 percent rate increase for all members. Production employees will receive additional wage increases of 3.0 percent, 3.0 percent and 2.10 percent the remaining three years of the contract, while the rate for logistics employees continues to be subject to annual negotiations. Other changes to the contract were minimal, but included modifications to the grievance procedure in an effort to expedite the process. Members ratified the contract extension by a 3 to 1 margin.

Busy Conference Ahead
The Dow North American Labor Council is scheduled to meet on September 25th – 28th in Elizabethtown, Ky. Expect a full agenda since the pending merger with DuPont is slated to close prior to the conference, and the council will be dealing with the expected split into three separate companies. Plus, the council will be discussing the challenges facing colleagues from the former Dow Corning sites. Joining the council will be various DuPont unionized locations and international guests.

USW Chemical Councils Press CEOs to Address Worker Issues

Members of the USW’s 3M and DuPont councils took advantage of their companies’ annual shareholder meetings to address worker concerns. Such opportunities might be hindered if Republicans are successful in overhauling the Dodd-Frank financial protections.

Several 3M council members from Local 186 in Hartford City, Ind., attended their company’s annual shareholders meeting on May 9 in Indianapolis, Ind. After 3M CEO Inge Thulin gave a presentation highlighting the company’s $30 billion in sales in 2016 and said “the 3M playbook is winning,” Local 186 President Michael Cox addressed him about workers’ concerns.

“Years ago, 3M came to many of its union facilities and asked for concessions. Business conditions were poor at the time. But the understanding was that when times get better, the employees would see a return on the faith they put in 3M. Instead, we feel the company isn’t living up to their pledge,” Cox said. “We still have a two-tier wage system in my plant, with no signs of it going away. If employees are the greatest asset 3M has, and the employees are the reason the company is in such a profitable position, why can’t we all get a fair return on our work?”

Thulin responded with the typical “employees are our company’s greatest asset” rhetoric, and said the company used the savings to invest in research and development for ensuring future success. He also said employees had to change with the times in regard to the demise of defined benefit pensions.

Expand Incident Reporting
At the May 24 DuPont shareholder meeting, James Rowe, a retired leader of USW Local 4-943 from the DuPont Chambers Works plant in Deepwater, N.J., presented the USW’s proposal for DuPont to expand its accident reporting. He urged DuPont to follow the lead of Marathon Oil Co. and other firms that are now providing more public data on workplace health and safety incidents, even if there are no resulting deaths or expensive injuries. Such information helps shareholders determine how well a company is operating.

Rowe told DuPont CEO Edward Breen that the company’s current safety-reporting practice “fails to provide investors with detailed information about the risks of future accidents or injuries.”

Worker fatigue at plants like Chambers is an issue, Rowe said. He warned that overworking understaffed crews could lead to sudden, deadly incidents like the 2014 gas leak that killed four workers at DuPont’s former La Porte, Texas, plant. (continued on page 3)
USW Presses DuPont to Expand Incident Reporting

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Two other workers were killed on the job in 2010 and 2011. The La Porte disaster triggered an OSHA review that condemned DuPont’s safety record, especially since the company tries to sell its behavioral-based, worker-safety program to other firms. After the OSHA review, DuPont shut down the La Porte plant and the company lost millions.

Breen responded that “safety and health are very core values at DuPont” and are undergoing “continuous improvement.” Then he recommended investors vote against the USW proposal, which garnered over 28 percent support.

“This is a very respectable showing for resolutions, but more importantly, the vote tells the corporate world that shareholders demand proof that safety is improving and that they do not want more company rhetoric,” said USW International Vice President Carol Landry, who heads the union’s chemical sector.

This was likely the last shareholder meeting for DuPont before its merger with Dow is completed in August.

Limiting Access to Shareholders

It may be tougher in the future for unions and other non-profits to submit shareholder proposals because of a bill that Rep. Jeb Hensarling (R-TX-5) introduced called the Financial CHOICE Act.

This legislation would increase the stock ownership threshold for submitting shareholder proposals in a company’s proxy statement from the current level of $2,000 to 1 percent of common stock outstanding, and would extend the stock-holding duration requirement from one year to three years. The House passed this legislation on June 8 and it is under consideration in the Senate, which is likely to develop its own measure to overhaul the Dodd-Frank financial protections.