

The First State has been an important industrial center since French émigré Eleuthère Irénée du Pont de Nemours set up his gunpowder works on the banks of the Brandywine River in 1802. Today, Delaware profits from both a traditional economy, based on agriculture and heavy industry, and a futuristic one that rides on enlightened tax policy, crest-of-the-wave financial and incorporation services, and life science research and development. This solid but dynamic commercial platform, combined with Delaware's central position in the money-rich eastern megalopolis, gives the state an economic importance that far exceeds its physical size and reaches well beyond its borders.

Investing in Excellence

Delaware's key industries have coalesced over the years into economic ecosystems that provide mutual support, services, and specialized infrastructure for suppliers, manufacturers, and distributors. This spurs both employment and profits. Even competitors find that proximity increases access to markets, skilled workers, and know-how while reducing the costs of development, housing, transportation, and power.

To supplement and stimulate these economic areas, Delaware invests in key support services and teams to deliver these services. These include teams for entrepreneurial and small business support, workforce development, infrastructure and intergovernmental relations, capital resources, and international trade.

Power concentrates in many forms, from soy beans (opposite), used in biodiesel fuel as well as feed and food products, to the gunpowder that E. I. du Pont (this page, left) began making in Delaware more than two centuries ago. The DuPont Company remains on the forefront of technology with, for instance, its Pyralux flexible circuit material used in the Mars rovers.

Delaware's primary focus is on six economic clusters: incorporation and legal services; financial services and insurance; chemistry and advanced materials; automotive manufacturing; life sciences and biotechnology, including agriculture; and tourism.

While most of Delaware's businesses and two-thirds of its workers are concentrated at the personal end of the scale in technology start-ups (this page), for instance its large >businesses are very large indeed, such as the Port of Wilmington (opposite), the first >deepwater port on the Delaware River estuary. Soybeans (previous page) figure prominently in the state's agriculture portfolio.

Small and emerging businesses employ two thirds of Delaware workers and comprise 98 percent of the state's businesses. These small businesses include traditional small businesses as well as niche technology-based entities, minority-owned companies, artisans, and rural and "Main Street" operations. In 2004, Governor Ann Minner proposed the Technology-Based Seed Fund, which earmarks \$1.5 million in the 2005 budget to provide seed grants of up to \$50,000 to cultivate small, high-wage technology start-ups. Further, the state leverages capital resources (with both federal and private investment) to funnel start-up dollars to emerging, Delaware-focused ventures in the private sector.

Among its other duties, the Delaware Economic Development Office (DEDO) invests venture capital as a way to increase employment. DEDO helped Solstice Systems in North Wilmington, for instance, to grow five jobs into 17 jobs, and Foxfire Printing in Newark to grow 15 jobs into 65 jobs. Moreover, during the three-year period beginning in January 2001, the state's Strategic Fund garnered commitments to retain or create more than 11,000 jobs, keeping Delaware's unemployment numbers comfortably below the national average during a recession.



The infrastructure and intergovernmental relations team helps businesses find and acquire appropriate sites; addresses such issues as road construction, brownfield conversion, and fiber communication systems assembly; and expedites the permit process.

Besides promoting the Port of Wilmington, the international trade unit helps Delaware companies increase their exports, assists foreign companies to set up shop in Delaware, and facilitates cultural exchange programs.

The Statutes of Liberty

Incorporation, credit, insurance, and other business services form a robust economic sector for the state. Indeed, the phrase "Delaware corporation" has acquired the same sort of worldly cachet that "Swiss bank account" once carried.

Its commercial services sector, low taxes, and business-savvy court system make Delaware such an attractive place to do business that more than half of the Fortune 500 and about half the companies listed on the New York Stock Exchange choose to incorporate in the First State. The Delaware Department of State's Division of Corporations is high on service and low on red tape, and numerous companies and agents are also available to help clients navigate the state's menu of corporation and reorganization opportunities.

The advantages of incorporating in Delaware are many. The fees are among the lowest in the country, and a Delaware asset protection limited liability company—to take just one example—can be owned by anyone, with no residency requirements. Owners' names are not disclosed to the state, the company is not required to report any assets, and the company can be operated and managed from anywhere—giving overseas companies easy access to the U.S. marketplace, the largest in the world. A Delaware corporation may maintain its principal place of business outside the state, and keep its books and records elsewhere as well.

Delaware has no value-added tax, no sales tax, no corporate income tax for companies operating outside the state, no state property tax, and no income tax for nonresidents. Delaware business license taxes and use taxes on personal property leases are favorable, and the state offers numerous tax incentives for targeted industries. In fact, Delaware's tax climate consistently ranks as one of the most favorable in the United States.

To keep the gears of commerce ticking, the state relies on its unique Court of Chancery. Chancery courts, which trace their history to the ancient High Court of Chancery of Great Britain, were widespread in the Thirteen Colonies but consolidated with criminal courts following the Revolution. Delaware, however, which had had a combined court system until that time, expressly set up a separate chancery court when it adopted the Second Delaware Constitution in 1792.



In contrast to the adversarial system used by American criminal courts, the Court of Chancery seeks equity. Its business is to find reasoned and fair solutions to disputes that fall outside the jurisdiction of criminal law, making it an ideal method for settling arguments involving corporate matters, trusts, contracts, estates, real estate, and other fiduciary concerns. Because the Court of Chancery derives its authority from moral fairness rather than blind adherence to codified law, it remains adaptable and conscientious to this day.



Not surprisingly, this unique law system requires specialized training for the state's lawyers and corporate leaders. Widener University School of Law in Wilmington, for instance, offers a degree in state corporate law, while Goldey-Beacom College, also in Wilmington, is devoted entirely to business degrees. In both 2002 and 2003, the U.S. Chamber of Commerce in its ranking of state liability systems ranked Delaware's system as number one overall in the United States, and rated it as "best" in such critical areas as judges' impartiality, judges' competence, and timeliness of judgments.

Because so many national and global companies incorporate in Delaware, financial services and insurance naturally play a big part in the state economy. Delaware is home to MBNA Corporation, the largest independent credit card lender in the world. Wilmington Trust Corporation, founded in 1903 by T. Coleman du Pont, who was president of the DuPont Company at the time, is one of the largest trust businesses in the country; it has its corporate headquarters in Wilmington, but also maintains overseas offices strategically located in London, the Channel Islands, and the Cayman Islands. The Delaware Insurance Department monitors the operations of 1,500 foreign insurers and 150 domestic insurers licensed in the state, and maintains permanent records on 33,000 insurance professionals. American Life Insurance Company (ALICO), one of the largest international life insurance companies, has its headquarters in Wilmington.

Making the Goods

Manufacturing is the largest source of income in Delaware and the third largest employment sector. Manufacturing wages in 2004 totaled some \$1.7 billion, with average yearly pay amounting to \$50,550. As of September 2005, Delaware manufacturers employed 33,900 workers. In 2004, manufacturing (including food production) accounted for \$4.8 billion, or approximately 9 percent of the total gross state product of \$54.3 billion. Chemicals (including pharmaceuticals) and motor vehicles (including auto equipment) dominate the sector, but paper, rubber and plastic goods, primary metals, and printed material also add significantly to the state's economy.

The largest manufacturing sector by far is the chemical industry, which accounted for 36 percent of Delaware's manufacturing output in 2003, with about half the value added coming from the production of pharmaceuticals and medicines.



Wilmington is home to E. I. du Pont de Nemours and Company, one of the best known and most respected chemical manufacturers in the world. DuPont—Delaware's second largest employer, exceeded only by the state itself—and its various sectors employed some 60,000 people in 2004, had revenues of \$27.3 billion, and a one-year net income growth of 82.9 percent (net income in 2004 was \$1.8 billion, up from \$973 million in 2003 and a loss of \$1.1 billion in 2002). DuPont's Delaware business units produce, among many other things, genetically modified seeds, crop protection chemicals, and protective materials such as Corian for countertops and Kevlar for bulletproof vests. DuPont is also an important developer and supplier of products for the automotive industry, particularly automotive finishes and coatings.

Delaware occupies the vanguard of vitality in financial well-being (opposite), through such institutions as MBNA Corporation, the world's largest credit card lender; physical health, through production of innovative pharmaceuticals (below, left); and personal safety, as with body armor (below, right) made with such materials as DuPont's Kevlar fabric.



Specialty fabrics manufactured in Delaware find all sorts of uses, from ILC Dover's I-Suit (lower left), a prototype for the new generation of rugged space suits necessary for human exploration of Mars, to a GORE-TEX all-weather motorcycle jacket (right). Opposite: ILC Dover technicians inspect the inner skin of a blimp for defects.

In addition to producing such ancillary items for the automotive industry as paints and subassemblies, the state is also a significant automaker and one of the few states in the northeast to have more than one automobile assembly plant. DaimlerChrysler's assembly plant in Newark is the exclusive builder of Dodge Durangos, and General Motors makes Pontiac Solstice roadsters at its Boxwood Road plant in Newport. The Boxwood plant expects that, in 2006, it will also be building Saturn Sky roadsters for the North American market and Opel roadsters for the European market. GM believes the Sky in particular will help it recover market share, an expectation it has backed to the tune of a \$50 million-dollar upgrade of the Boxwood plant.

Some Delaware manufacturers' goods are literally out of this world. Among other products, ILC Dover LP makes space suits, space shuttle gloves, and Rover drive-off ramps for the National Aeronautics and Space Administration, putting its products on the moon and Mars, while W. L. Gore & Associates goes to outer space with its famous GORE-TEX fluoropolymer fabric. The private company (the Gore family still owns about three quarters of it) had sales of \$1.5 billion and 6,900 employees in 2004. Other major companies in the area are Playtex Products, which maintains its largest operation in Dover, and Dentsply, the world's largest manufacturer and distributor of dental supplies and products, whose L.D. Caulk Division is located in Milford.



Feeding the Mind and Body

Medical facilities in the First State are numerous and comprehensive, ranging from the 158-bed Beebe Medical Center in historic Lewes, on the Sussex County shore; to the 231-bed Kent General Hospital in the state capital at Dover; to the Alfred I. duPont Hospital for Children, located on 300 acres of parkland outside of Wilmington. With the addition of a cardiac center and a cancer center, Christiana Hospital in Newark is one of the largest facilities; in Wilmington, St. Francis Hospital is particularly well regarded for its St. Francis Heart Center. In 2001 (the most recent year for U.S. Census Bureau figures) Delaware's health care industry supported some 46,000 workers, with a payroll of \$1.6 billion. In that same year, there were 1,153 ambulatory health care services, 12 hospitals, 78 nursing and residential care facilities, and 372 social assistance firms in the state. Training programs include the University of Delaware's Department of Nursing, which trains clinical nurse specialists, adult nurse practitioners, and family nurse practitioners, and offers post-master's degree certificates in all nursing specialties.

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Delaware scientists find beauty and benefit in nature as well as in chemistry labs. Researchers at the Delaware Biotechnology Institute (this page) find new ways to enhance harvests; marine education specialist Bill Hall (opposite) conducts a census of horseshoe crabs, which are distant cousins of spiders and have numerous medical applications.

New Castle County lies within 100 miles of 80 percent of the country's major pharmaceutical companies, advantageously positioning the state for growth in the burgeoning biotechnology sector. Delaware's big players in the industry include DuPont, Agilent Technologies, and AstraZeneca (whose U.S. headquarters is in Wilmington). The state's drug development companies research and manufacture medicines for a wide range of ailments, from HIV to cancer, and are linking themselves ever more closely with the biotechnology sphere.

Universities and colleges form an integral part of the R&D equation, of course. The Delaware Life Science Initiative, for instance, a group partnership between state schools and the public and private sectors, pursues advances in life science research, education, and economic development; and Delaware Tech worked with the Delaware Biotechnology Institute (DBI), Newark's 72,000-square-foot incubator for expanding life sciences, to upgrade its associate's degree program in biotechnology.

Capabilities at DBI include bioimaging, bioinformatics, genomics, proteomics, and structural biology. The institute is situated at the Delaware Technology Park in Newark, where numerous life sciences companies have clustered together to develop and market "farmaceuticals," therapeutics, industrial enzymes, and vaccines.



Food to Go

Although Delaware's chemical manufactories and innovative business services have made it world famous, agriculture continues to provide a tidy nest egg. Sussex, the least industrialized of Delaware's three counties, reaped about three quarters of the state's \$1.03 billion in gross farm income in 2004. In 2002 there were 2,400 farms in Delaware occupying 560,000 acres—about 45 percent of the state's land area—with an average size of 233 acres.

In terms of production, corn was Delaware's largest crop in 2004, yielding 23.3 million bushels—an increase of 17 percent over the 2003 yield and the second-highest yield on record. The soybean yield was also the second highest ever, at 42 bushels an acre, with 8.7 million bushels harvested. Wheat, hay, vegetables, and genetically modified seed are important crops, as well.

In terms of utility, however, Delaware's soybean crop is perhaps its most important. Besides its obvious value as food and feed, the soybean is seeing increasing use as a source of biodiesel, a renewable synthetic fuel. Diesel engines require little or no modification to use the synthetic fuel, and biodiesel can be blended with petroleum-based diesel fuel or even replace it. Delaware State Parks uses biodiesel in most of its maintenance fleet and has plans in place to use it to heat its public buildings and park residences. The State of Delaware uses biodiesel in its diesel trucks and equipment, as do Delaware Electric Cooperative and Delmarva Power. Because biodiesel is nontoxic and biodegradable, its use as a marine fuel provides significant environmental advantages. In May 2005, the first soy-biodiesel marine fuel facility in the Mid-Atlantic region began operating north of Bethany Beach at the Indian River Marina. About 15 percent of Delaware's land area is devoted to the useful bean.

The state's chief fisheries revolve around crabs and clams. Interestingly, scientists have discovered that the state marine animal, the horseshoe crab, which is more abundant in Delaware Bay than anywhere else in its range, has uses varying from vaccines to medical devices.

Delaware's most important agricultural commodity in terms of direct dollar value is poultry and its ancillary products. Broiler production accounted for more than 71 percent of the state's total farm receipts in 2003, and the state raised 241 million chickens in 2004, worth more than half a billion dollars.

When it comes to value-added poultry products, much of which it exports, Delaware ranks eighth among the states. Other significant food exports are vegetables, soybeans, and feed grains as well as the exports of the Dogfish Head and Fordham breweries. The state ranks 39th overall as a food exporter, an impressive figure considering that it ranks 49th in size.

Development, Power, Transportation, and Tourism

Not least among the advantages of doing business in Delaware are its financial incentives for development, its low costs of power, its ease of transportation, and the number and variety of its entertainment and recreational amenities.





The State of Delaware fosters numerous programs for developing industry and related jobs within the state. The Delaware Strategic Fund offers customized grants and loans with a maximum of \$100,000 or 50 percent of the total project for brownfield studies and cleanups, Small Business Innovation Research (SBIR) bridge funding, and Technology Transfer Innovation Research (TTIR) bridge funding. DEDO provides specialized and customized training programs for Delaware companies and for potential employers. The Delaware Economic Development Authority issues low-interest industrial revenue bonds, the interest from which is exempt from both federal income tax and state income tax for Delaware residents. Delaware also cooperates with state and regional banks to expedite applications to the Export-Import Bank of the United States.

Development assistance is available from the private sector as well. For instance, pre-seed and seed enterprises with the potential to develop innovative products or processes for the national market can take advantage of the Technology-Based Seed Fund. The fund's intent is to foster high-wage, fast-growing small businesses in technology fields such as biotechnology, advanced materials, clean energy, information technology, and new chemical applications. The fund provides equity financing of up to \$50,000 per transaction for start-up expenses such as laboratory equipment, working capital, lab and office space, patent filings, and prototyping.

Industrial service rates for electricity in Delaware are significantly lower than elsewhere in the east, including New York City, Philadelphia, Boston, Baltimore, and Washington, D.C. Commercial natural gas prices are also lower than in, for instance, Maryland, Massachusetts, and the District of Columbia.

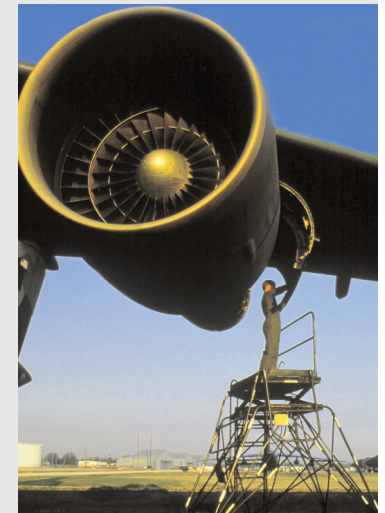
Wilmington, Delaware's largest and most industrialized city, sits astride the all-important transportation corridor that links every major city from the Middle Atlantic region to New England. Wilmington sits beside a superb seaport, and Delawareans have easy access to two international airports in addition to numerous municipal and commuter airports. This gives the state excellent access via trucks, trains, ships, and planes to markets throughout the United States and the world.

Interstate 95 links Wilmington to Baltimore and Washington to the south and to Philadelphia, New York, and Boston to the north. Wilmington lies near the midpoint between New York and Washington, each of which is approximately 90 minutes away via I-95, and a quarter of the U.S. population is within a day's drive.

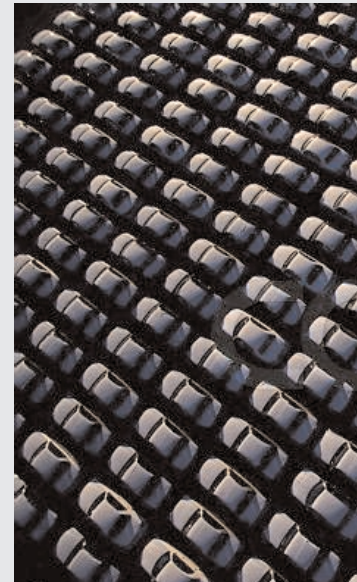
For worldwide air transport of goods and passengers, Delaware relies on Philadelphia International Airport, half an hour away from Wilmington, and Baltimore–Washington International, which is some two hours by car from the southern part of the state. For faster trips, commuter flights move passengers between the state and nearby major airports. Cargo is sent around the world from New Castle County Airport, some 15 minutes from downtown Wilmington. Sussex County Airport is one of two locations in the country certified to maintain Boeing 737 business jets, and the state has a joint-use agreement with Dover Air Force Base as well.

Class I railroads Norfolk Southern (NS) and CSX serve the state, NS through the Amtrak Northeast Corridor and CSX through New Castle County, with connections to NS and the Port of Wilmington. The state has a number of shortline railroads as well, serving the Delmarva Peninsula and providing connections to western Maryland and southeastern Pennsylvania. Most major industrial sites in the state are on or connected to railroad lines. Commuter rail lines connect Wilmington with downtown Philadelphia, and Metroliner passenger trains pass through hourly on their way to and from New York and Washington, each of which is 90 minutes away by rail.

Delmarva Power (opposite) provides juice with a boost to more than half a million customers on the Delmarva Peninsula; an Amtrak train (below) arrives at Wilmington station, halfway between New York City and Washington, D.C.; a mechanic (below, right) works on a jet engine at Dover Air Force Base, the Department of Defense's busiest aerial port.



Delaware's central position on the East Coast and its mild climate offer ample opportunities for business and pleasure alike. A car carrier (below) prepares to get underway as a lotful of imported autos (below right) await ground transport to U.S. markets; a crowd at the Rehoboth Beach boardwalk (opposite) enjoys a balmy evening while awaiting Fourth of July fireworks.



The 308-acre Port of Wilmington, the first inbound port on the Delaware River estuary, handles containerized, breakbulk, and bulk cargo. More than two million square feet of open space is available for storing automobiles, steel, and containers; 250,000 square feet of covered warehouse is available for storing lumber, paper, and other dry cargoes; and 11 million cubic feet of chilled and freezer space is available for storing perishable foods. The port handles some five million tons of cargo each year. Goods handled include fruits; automobiles; meat, poultry, and seafood; lumber; steel; and liquid petroleum products. The port handles more fresh fruits, bananas, and juice concentrates than any other U.S. port.

The southern ocean beaches remain Delaware's most popular tourist attraction, but other amenities include automobile and horse racing, slot machines, golf courses,

Broadway-quality shows, art and history museums, and tax-free shopping. In June 2005 the General Assembly passed House Resolution No. 28 to recognize Delaware's first-class harness racing farms and Rainbow Blue—the 2004 Harness Writers Horse of the Year, being trained in Delaware—and to encourage the promotion of horse racing in the state.

The business of tourism expanded by 25 percent in the five years between 1997 and 2002. In 2004, travel and tourism (direct and indirect) contributed \$1.2 billion to Delaware's gross state product (GSP), accounting for 2.5 percent of Delaware's GSP. In that same year the tourist industry was the state's fifth largest employer, providing the equivalent of 22,980 full-time jobs. In 2003, the travel and tourism sector in Delaware generated nearly \$163 million in state revenue.



Taxes, unemployment, and the cost of living in Delaware are lower than the national average, while median income, per capita income, and buying power are higher. Delaware has continuously upheld its AAA bond rating with all three major rating agencies, one of only seven states to maintain such high ratings. The 2002 State New Economy Index gave Delaware top marks in such important areas as technology in schools (number 3), scientists and engineers as a percentage of the workforce (number 2), and industry investment in R&D (number 3). From Wall Street to Easy Street, Delaware's marriage of vision and industry has earned it an enviable reputation around the world.