Allied, Exxon discuss sale of BR plant

By BOBBY LAMB
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Exxon Corp. has discussed purchasing Allied-Signal Inc.'s high-density polyethylene plant in Baton Rouge, an Allied official confirmed Thursday, but he denied reports of a sale during this week.

"I definitely would lower those expectations. There's no deal done," said William Cocoran, Allied's director of public affairs, on Thursday. He would not speculate when asked if a future sale is possible.

"We have discussed the matter with Exxon," Cocoran said. "There have been discussions with a lot of people about the Allied plant," he said.

Cocoran said the plant hasn't been offered for sale publicly, but the company would obviously be open to any significant offer.

"Sure, you listen to every opportunity," he said.

Cocoran would not say whether discussions are continuing with Exxon.

He denied a report by the Journal of Commerce, which said Exxon is close to reaching an agreement to buy Allied-Signal's polyethylene business.

The publication's report said Exxon would pay at least $200 million to $300 million for the Baton Rouge plant.

The plant employs more than 400 workers and produces more than 1 billion pounds of high-density polyethylene annually, representing roughly a seventh of the U.S. production capacity.

The plant's plastic resin product is used as a base in making plastic bottles, food containers, automotive parts, extruded pipe, paint containers and industrial pallets.

Exxon's Baton Rouge chemical plant already is a source of raw material for the Allied plant.

Neither Douglas Connor, Allied's Baton Rouge plant manager, nor Bryan Brabston, public affairs manager for Exxon Chemical in Baton Rouge, was able to confirm or deny the possible sale.

Susan Szita Gore, a spokeswoman for Exxon Chemical's polymers group, was en route from Connecticut to Baton Rouge Thursday and unavailable for comment.

Leonard Bogner, a chemical industry analyst for Prudential-Bache Research in New York, said he has heard rumors of a sale for some time, but the name of the prospective purchaser has changed at least three times over the past two months.

"There's enough rhyme or reason to it," Bogner said of any desire by Allied to sell its Baton Rouge plant and Exxon's interest in buying it.

The high-density polyethylene business would be more significant to Exxon's business strategy than Allied's business strategy, he said.

Paul Nisbet, a Prudential analyst who follows Allied-Signal, said Allied generally has been switching over the years from commodity chemicals toward "engineered" materials, such as fibers for carpeting, and other technologically advanced products.

Exxon already is a major producer of low-density polyethylene. By purchasing Allied's local plant, Exxon automatically would become the third largest high-density polyethylene producer in the United States and would round out its line of petrochemical products, the Journal of Commerce said.

The Journal previously had reported that Phillips Petroleum Co. was attempting to acquire the local Allied plant in an effort to meet customer demands after an Oct. 23 explosion damaged Phillips' Pasadena, Texas, plant. The publication said the two companies couldn't reach an agreement.