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## Pfizer stuns Mich. with huge job cuts

Sofia Kosmetatos / The Detroit News

Pharmaceutical giant Pfizer Inc. announced Monday it will shutter its massive research and development facility in Ann Arbor and cut 2,410 jobs in Michigan by the end of 2008 as it retrenches in the face of fierce competition from generic drug makers.

Michigan took the brunt of Pfizer's decision to cut 10,000 jobs worldwide, which will save up to \$2 billion a year. Pfizer also plans to close research facilities in Plymouth Township and Kalamazoo.

The decision deals a huge blow to the region and its efforts to diversify its stagnant economy. There was, however, one bright spot for the state: Pfizer's largest manufacturing site, located outside Kalamazoo in Portage, will remain open. After its Michigan downsizing, Pfizer will employ about 4,000 in the state.

The cost-reduction plan is Pfizer's second in as many years. A previous plan aimed to cut costs by \$4 billion a year by 2008.

While Pfizer remains profitable, its future is imperiled by the potential loss of \$14 billion in revenue this year due to expiring patents on key drugs, such as Norvasc and Zyrtec. The company is at risk of losing 41 percent of its sales to generic competition between 2010 and 2012, said Prudential analyst Tim Anderson.

The pressure on Pfizer intensified after safety issues forced it to halt development of the star drug in its pipeline, torcetrapib, which was expected to replace sales of the best-selling Lipitor as it loses market exclusivity as early as 2010.

With few breakthrough drugs in Pfizer's pipeline, the Ann Arbor facility that

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### Cuts at a glance

In Metro Detroit

Pfizer will close its research and development facility in Ann Arbor (2,100 jobs) and the Esperion research operation in Plymouth Township (60 jobs) by the

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developed Lipitor found itself in the cross hairs of the corporate reorganization.

"A reshaping of Pfizer and the industry's cost structure is beginning to unfold, largely precipitated by the punishing effects of rampant generic competition," said Deutsche Bank analyst Barbara Ryan in a Jan. 16 research report.

The restructuring is designed to consolidate research facilities and cut costs to compete in a challenging and changing pharmaceutical marketplace.

"I believe we must transform the way we've done business in the past in order to be more successful in the future," said Jeffrey Kindler, who became Pfizer's chief executive last summer and chairman last month.

"Fundamental change is imperative -- and it must happen now."

Pfizer employs 2,100 people in Ann Arbor, plus another 60 in Plymouth Township at a biotech operation called Esperion. The Kalamazoo research site slated for closure employs 250.

The 177-acre Ann Arbor site has been a fixture in the community since Parke-Davis opened it in 1959. Warner-Lambert took over the facility in 1970, and Pfizer acquired it in 2000.

While best-known for developing Lipitor, the Pfizer scientists in Ann Arbor conduct research in several therapeutic areas, including cardiovascular and central nervous system diseases, inflammation and dermatological conditions.

### No explanation from firm

David Canter, the senior vice president for research and development operations in Ann Arbor, said the choice to close the Michigan sites was "not a reflection on Michigan and Ann Arbor. The sites have been productive and have contributed a lot" to Pfizer's success and income.

Yet the company did not explain why it chose to close Michigan's research facilities instead of those in other states.

Canter said intervention from the state in the form of tax breaks would not have made a difference.

"In this case, Michigan's just plain unlucky," stated Patrick Anderson, of Anderson Economic Group in East Lansing, saying Michigan's high business and personal property taxes may have played a very small role in the decision.

end of 2008.

The Ann Arbor site has been responsible for R&D in antibacterials, central nervous system diseases, cardiovascular diseases, inflammation, dermatological conditions and drug formulation. Ann Arbor projects will transition to Pfizer sites in Groton, Conn.; St. Louis, Mo.; La Jolla, Calif.; and Sandwich, England.

Esperion is a biotech operation, acquired by Pfizer in 2004, specializing in potential cardiovascular compounds.

Pfizer will work with community leaders, government officials and land-use specialists to seek options for the Ann Arbor site.

### Kalamazoo changes

Pfizer will exit its downtown Kalamazoo site (250 jobs) by the end of 2008.

The site has been responsible for drug safety and metabolism research. Pfizer will explore options for this function, including outsourcing, sale or spinoff.

### Staying open in Michigan

Manufacturing: Pfizer's largest plant in the world, in Portage, will remain open, as will a smaller plant in Kalamazoo. The Portage site is adding more than 50 new and existing Pfizer products, for a total exceeding 100. Drugs made there include Eraxis, Solu-Medrol, Exubera (packaging only), Depo-Provera and Camptosar.

Animal health: The global headquarters for Pfizer's Veterinary Medicine research and development is in Kalamazoo County, including a 2,000-acre farm in Richland Township and laboratories in downtown Kalamazoo.

Other functions: The Pfizer Records Service Centre, established in 2006 to house nearly all of Pfizer's business records for North America, is in Portage.

Sales: About 250 sales and marketing personnel are based in Michigan.

### Elsewhere in U.S., world

Pfizer will cut 10,000 jobs and close at least five facilities to slash its annual costs by up to \$2 billion by next year.

The company said it will cut 20 percent of its European sales force but didn't say how many jobs that is.

Besides the three research sites in Michigan, Pfizer will close two manufacturing plants in New York (600 jobs) and Nebraska (25 jobs). It may also sell another manufacturing site in Germany and close research sites in Japan and France.

## In Ann Arbor, from Parke-Davis to Pfizer

### 1959

Ann Arbor site established as Parke-Davis headquarters. Parke-Davis was formed in Detroit.

### 1970

Parke-Davis merges with Warner-Lambert.

### 1997

Lipitor, developed in Ann Arbor, goes on the market and becomes the best-selling drug in the world.

### June 2000

Warner-Lambert merges with Pfizer Inc. The Ann Arbor facility becomes Pfizer's third-largest R&D lab.

Pfizer stuns Mich. with huge job cuts

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"We have a very strong cluster of life science professionals throughout southeast Michigan and it appears that we just drew the short straw in a corporate restructuring."

### Most jobs gone by mid-2008

Job cuts will start in the summer and most people should be out of the facility by mid-2008, Canter said.

Pfizer will relocate Michigan research and development projects to sites in Groton, Conn.; St. Louis, Mo.; La Jolla, Calif.; and Sandwich, England.

Pfizer hopes to transfer as many as 70 percent of positions to other Pfizer sites.

For Ann Arbor, the loss of Pfizer's facility will mean a "hit financially in every sector in every business sector," said Jesse Bernstein, president and CEO of the Ann Arbor Area Chamber of Commerce.

It will also be a blow to philanthropic organizations in the area that rely on Pfizer's generosity, most notably the United Way. Pfizer donates \$1.8 million to the organization in Washtenaw County annually, Canter said.

### 'Stunned silence'

Ann Arbor employees learned the news in simultaneous meetings Monday. Their reaction, said Canter, was "stunned silence."

"They were very clearly not expecting it," he said. Canter learned the news just two weeks ago.

The state will reach out to displaced Pfizer workers, Gov. Jennifer Granholm said.

"We're going to have a whole 'Stick Around Ann Arbor' campaign for these employees, because we want them to stay here," Granholm said at news conference Monday with University of Michigan President Mary Sue Coleman, Ann Arbor Mayor John Hieftje and other community leaders.

The closure of the Ann Arbor facility will leave empty about 2 million square feet of laboratory, office and production space that officials already are eyeing for redevelopment.

Pfizer said it would work with community leaders, government officials and land-use specialists to seek redevelopment options.

Michigan will remain one of Pfizer's largest locations around the globe even after the cuts. Besides the Portage factory, the global headquarters for Pfizer's Veterinary Medicine Research and Development is in Kalamazoo. The company's Records Service Centre also is in Portage.

Kalamazoo Mayor Hannah McKinney said she felt Ann Arbor's pain as well as the loss of 250 jobs in her own city, but is relieved for the approximately 4,000 Pfizer employees in the Kalamazoo area who will not be laid off.

"It's definitely a sad day for us, but it's actually not the worst day it could have been," she said.

### Stock price falls

Although big rounds of job cuts typically boost a company's stock prize, shares of Pfizer fell 27 cents, or 1 percent, to close Monday at \$26.95 on the New York Stock Exchange.

Pfizer said its revenue would be flat this year and next, but it expects earnings to jump by 6 to 9 percent in 2007 and 2008.

Analysts are skeptical Pfizer's current and pipeline drugs can generate enough sales to compensate for revenue it stands to lose. But Pfizer said it will introduce six new products a year, beginning in 2011.

*The Associated Press contributed to this story. You can reach Sofia Kosmetatos at (313) 222-2300 or [skosmetatos@detnews.com](mailto:skosmetatos@detnews.com).*

### July 2005

Pfizer plans to move much of its development from Ann Arbor to East Coast, ceasing some research in Kalamazoo and Portage and moving some to Ann Arbor.

### 2006

Pfizer says it will cut 2,200 jobs from U.S. sales force.

### 2007

The world's largest drug maker says it will close the Ann Arbor facility and an operation in Kalamazoo.

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