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DTE says job cuts, downsizing will save \$200M

Chief exec cites need to thwart takeover; staffers picket Detroit office, say cuts will weaken utility.

[Nick Bunkley / The Detroit News](#)

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DETROIT -- DTE Energy Co. expects to save \$200 million annually by slashing nearly 2,000 jobs and making other changes to its operations, Chairman and CEO Anthony Earley Jr. told shareholders Thursday.

Earley said the cuts are necessary, despite growing company profits, to keep rates from skyrocketing and to prevent a takeover by another utility. DTE this week reported an 11 percent increase in first-quarter earnings.

"Companies that have higher costs tend to be targets," Earley said at the company's annual meeting. "This will make sure we can control our own fate."

Several major utility mergers have occurred in recent years, and more are expected now that Congress has repealed the Public Utility Holding Company Act, allowing non-utility companies to buy utilities and removing many barriers to mergers. Some analysts say DTE, the nation's 20th largest utility, could be a takeover target, although there is no evidence any bids are being prepared.

Competition in the utility industry, particularly among companies that sell power on the wholesale market as DTE does, has sparked significant cost cutting, said Ken Rose, a senior fellow with Michigan State University's Institute of Public Utilities.

"There are pretty strong incentives for electric utilities to lower their costs," Rose said.

Outside DTE's downtown Detroit headquarters, where shareholders were meeting Thursday, about 50 employees walked picket lines and handed out fliers arguing that the job cuts will weaken the company.

They called DTE's plan -- developed as part of a sweeping cost-cutting and operational improvement effort called the Performance Excellence Process -- short-sighted and warned customer service would suffer.

"It sacrifices reliability and public safety," said Mark Carrico, who works at a DTE

maintenance facility in Lapeer. "We're already stretched pretty thin."

DTE officials told the company's largest union, Utility Workers Union of America Local 223, that 1,245 of the 4,800 positions it represents will be cut.

Slated for elimination are 506 customer-service positions, 235 jobs in the power-plant division, 232 jobs in the natural-gas division, 201 jobs in distribution operations and 71 corporate services positions, the union said on its Web site.

In addition, about 800 non-union positions will be cut.

DTE plans to replace some of the workers, including call-center employees, with outside contractors to save money. Earley said outsourcing would not lead to a reduction in customer service and that the company wants to keep the work in Michigan, not send it to a call center overseas.

But Tim Ziolkowski, an electrician at DTE's St. Clair Power Plant, thinks there could be consequences for depending on contractors instead of full-fledged employees. Contractors often are less invested in the company's operations and less prepared to handle emergencies, such as a small fire that broke out at his plant recently, he said. "That reliability's got to be worth something," said Ziolkowski, who brought his 10-year-old son T.J. to the picket line as part of Take Our Daughters and Sons to Work Day.

DTE has not told workers what job classifications will be affected or when they will know more details. DTE has said the cuts will occur this year and in 2007.

Earley said he hopes much of the company's goal will be achieved through retirements, resignations and by not filling vacant positions. Non-union workers will be offered buyouts. But Earley acknowledged that DTE, Michigan's largest utility with 11,000 employees, can't eliminate 18 percent of its work force without some layoffs.

He said the process is driven by a need to trim expenses, not by executives' desire to eliminate jobs.

"If you become more efficient, then you need less people," Earley told reporters after the shareholders meeting.

"But we didn't go in and say, 'we've got to cut 500 or 800 employees.' "

You can reach Nick Bunkley at (313) 222-2293 or nbunkley@detnews.com.