

Business

## **Navy shipbuilding contracts help offset cuts in Army truck orders**

By Rick Barrett of the Journal Sentinel

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About halfway through the federal government's fiscal-year 2015, Wisconsin is benefiting from a U.S. Navy shipbuilding program, while spending for military trucks made in the state has fallen sharply from previous highs.

It's almost polar opposites, said Jerry Murphy, executive director of New North, an economic development group that represents industry in eight counties of northeastern Wisconsin.

In Marinette, about 1,500 people are building Navy combat vessels designed for a variety of missions including shallow, coastal waters. The program has been a mainstay of employment at the Marinette Marine shipyard and hundreds of its suppliers, including companies in the Milwaukee area.

Marinette's economy is "enormously healthy," Murphy said, including non-defense sectors such as the paper and metal-fabrication industries.

In Winnebago County, Oshkosh Corp. has laid off hundreds of employees as military spending at the truck manufacturer fell by hundreds of millions of dollars — largely from the war in Afghanistan winding down.

"So you have these two extremes of defense contractors," Murphy said.

For years, Oshkosh Corp. has been the state's largest defense contractor — pumping hundreds of millions of dollars into the economy.

"Our numbers have been driven by Oshkosh. But Marinette Marine was a blessing several years ago that surprised many people," said Aina Vilumsons, executive director of the Wisconsin Procurement Institute in Milwaukee, which monitors federal spending.

Monday, the Department of Defense said Fairbanks Morse Engine, in Beloit, was awarded a \$9.9 million contract for Navy diesel engine parts. Fairbanks Morse and DRS Technologies, of Milwaukee, have benefited from Navy spending.

"The Navy is spending more money, in general, to improve its fleet," Vilumsons said.

Wisconsin ranked 32nd among states in federal procurement dollars in fiscal 2014, down from 28th in 2013. Now, more than six months into fiscal 2015, economic development officials are seeing strong federal spending in areas such as insurance, information technology and agriculture, and the Navy shipbuilding in Marinette.

Current figures for Department of Defense spending in Wisconsin aren't available because of a 90-day time delay in the reporting. But so far this fiscal year, spending from non-defense federal agencies is about \$600 million in the state — similar to this time a year ago.

Some of the top spending is from agencies connected with health care and information technology. The Department of Agriculture also has bought \$25 million in Wisconsin cranberries, according to Vilumsons.

"Not everything is for a military truck or a ship. There are many opportunities with the Veterans Administration Hospital, the Forest Service, the Air National Guard," she said.

Wisconsin has added 65 new federal contractors since last October, many of them small businesses.

"I think we are going to see an increase in the number of contractors, and that it's going to be a more diverse group," Vilumsons said.

Wisconsin Procurement Institute helps businesses win government contracts. Increasingly, it's also helping small and midsize businesses connect with large federal contractors anywhere in the nation.

"If you are supplying one large defense contractor, you have capabilities that could be used more broadly. You can team up with a large business, or other businesses, to go after work together," Vilumsons said.

Weinbrenner Shoe Co., in Merrill, makes thousands of pairs of shoes a month for the military.

"Right now, we are running at 104% over last year," said Weinbrenner President Patrick Miner.

Oshkosh Corp. could receive a huge boost from military spending if it wins a U.S. Army contract, worth billions of dollars, to build a new type of vehicle meant to replace thousands of military Humvees.

Oshkosh is one of three companies competing for the contract that's expected to be awarded this summer and would support thousands of jobs.

"That would be huge. It would change everything," Vilumsons said.