PENTAGON SPENDING IN MICHIGAN

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SUMMARY: PENTAGON SPENDING IN MICHIGAN

GENERAL

Michigan ranked 24th (USASpending) in the country in terms of Pentagon awards\(^1\) during FY2014, receiving $2.6 billion. It received $298 in contract awards per capita in FY2014, which ranked 43rd among the 50 states. Comparatively, Michigan received $2.95 billion in FY2013. As Michigan's GDP (BEA) was 432.6 billion in FY2013, the most recent year for which state GDP figures are available, DoD contracts accounted for approximately .67% of Michigan's GDP in 2013.

THE DEFENSE CORRIDOR

Although Michigan's contracting profile may at first appear middling, an estimated 500 (DRC) companies share ties to the defense industry, and Southeast Michigan is colloquially known as "the Defense Corridor" due to the involvement of local industries with the US DoD (see Appendix A2). "70% of everything a soldier shoots, drives, flies, wears, eats, or communicates with is contracted in Michigan," claims the Michigan Defense Center (MDC). Although TARDEC and TACOM in Warren are the largest contracting agencies in the state, the largest privately-owned defense companies are those such as BAE Systems Inc. in Sterling Heights (BAE produces Bradley armored vehicles), General Dynamics Land Systems in Sterling Heights and Troy (Abrams tanks and Stryker and Buffalo vehicles), Peckham Vocational in Lansing (military apparel), Avon Protection in Cadillac (gas masks) and L-3 Communications in Muskegon (vehicle systems). When combined with the U.S. Army Contracting Command in Warren, Michigan easily holds steady a position as a mainstay in the United States defense industry.

MILITARY BASES

1) Tank Automotive Research Development and Engineering Center / US Army Tank-Automotive and Armaments Command Life Cycle Management Command (5,000 personnel) – TARDEC and TACOM LCMC are both part of the US Army's Research, Development, and Engineering Command. Both partner with the private automotive industry to develop technologies for military use. Also, the Army Contracting Command-Warren (ACC-WRN) oversees over $138 billion in contracting from the base in Warren.

2) Selfridge Air National Guard Base (6,000 personnel) – Home to units from each branch of the Armed Forces, as well as Border Patrol and Customs units. Home wing is the 127th ANG Wing

3) Kellogg Air National Guard Base (2,000+ personnel) – Home to the 110th Airlift Wing, a unit of the Michigan Air National Guard. Primary mission is cargo and humanitarian transport

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\(^1\) Although the above number reflects primarily DoD contracts, according to USASpending.gov, the number may include DoD grants, loans and other financial assistance.
FIVE LARGEST PENTAGON CONTRACT RECIPIENTS IN MICHIGAN

1. General Dynamics Corp\(^2\). – $1,175,719,700 (USASpending, 2014)
   - In total, General Dynamics Corp has been awarded $17.9 billion in 12 years in MI District 10\(^3\). (FY 2000-2012)
   - “In a presentation to council April 3, City Assessor Matt Schmidt described GDLS as “the defense industry’s largest supplier of wheeled and track military vehicles,” with more than 5,400 employees in the United States, including about 2,200 in Sterling Heights alone.” (C and G News, 4-16-12)
   - Locations: General Dynamics Advanced Information Systems and Technology facility in Ypsilanti, MI; General Dynamics Combat Systems facility in Sterling Heights, MI and in Troy, MI
     - “Our Combat Systems group is a global leader in systems engineering, spanning design, development, manufacture and support of tracked and wheeled military vehicles, weapons systems and munitions for the United States and its allies. [...] The portfolio of platforms in our U.S. military vehicles business includes the Stryker wheeled combat vehicle, the Abrams main battle tank and the Buffalo route clearance vehicle. [...] As the sole provider of Abrams tanks and Stryker and Buffalo vehicles, Combat Systems is the primary contractor for the maintenance, repair and reset of these vehicles.” (GD Annual Report)
   - 200 Michigan companies work as subcontractors (Sen. Levin release, 7-12-11)
   - 2008 release: Net positive state revenue impact of GDLS: $43.7 million (MI Eco. Dev., 2-19-08)
   - “Michigan could expect an economic impact of nearly $1 billion from 8 new defense contracts awarded to eight companies in the closing days of the federal government’s budget year” – the largest being the $395 million GD contract (Crain's Detroit Business, 9-26-12)

Selected contracts awarded recently:

- **September 18th, 2013**
  - General Dynamics Land Systems, Sterling Heights, Mich., was awarded an $187,528,930 firm-fixed-price, non-option-eligible, non-multi-year contract for conversion of 44 each M1A1 and 40 each M1A2 model vehicles (total of 84 each) to a M1A2S configuration in support of the Kingdom of Saudi Arabia. This requirement supports foreign military sales program to Saudi Arabia. Performance location will be Lima, Ohio and Sterling, Mich., with funding from fiscal 2013 other authorization funds. This contract was a non-competitive acquisition with one bid received. U.S. Army Contracting Command - Tank and Automotive (Warren), Warren, Mich., is the contracting activity (W56HZV-13-C-0315).

- **November 25th, 2013**
  - General Dynamics Land Systems, Sterling Heights, Mich., was awarded a $28,200,000 cost-plus-incentive-fee contract for Phase II of the Engineering Change Proposal Upgrade program. Technical upgrades to be performed include improved

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\(^2\) Includes the appellations of GM/GDLS Defense Group Limited Liability Company and General Dynamics Land Systems Inc.

\(^3\) See Appendix 1 for a map of Michigan’s Congressional Districts
automotive and electrical power generation, chassis upgrades and improved in vehicle network capabilities. Fiscal 2014 research, development, test and evaluation funds were obligated at the time of the award. **Estimated completion date is Nov. 26, 2018.** Bids were solicited via the Internet with one received. Work location will be Sterling Heights, Mich. Army Contracting Command (Tank and Automotive) Warren, Mich., is the contracting agency (W56HZV-14C-B019).

- **June 3rd, 2014**
  - General Dynamics Land Systems, Sterling Heights, Michigan was awarded an $11,421,811 modification (P00011) to contract W56HZV-14-C-B019 for the procurement of three additional DVH Stryker ECP ICSV prototype test vehicles, under Phase II of the Stryker Engineering Change Proposal Upgrade program. Fiscal 2014 research, development, test and evaluation funds in the amount of $5,715,337 were obligated at the time of the award. Work will be performed in Sterling Heights, Michigan, with **an estimated completion date of Dec. 31, 2016.** Army Contracting Command, Warren, Michigan is the contracting activity.


- In total, BAE Systems Land & Armaments, L.P. has been awarded $216.6 million⁴ in eight years. ([FY 2004-2012](http://usaspending.gov))
- Although the company itself is based in the state of Virginia, the Heavy Brigade Combat Team business unit is housed in **Sterling Heights, MI** ([Crain’s Detroit Business, 09-26-12](http://www.candgnews.com/news/bae-shows-facility-amid-defense-sector's-uncertainty))
- Notes on BAE Systems’ engineering facility on Van Dyke Avenue (Sterling Heights, MI) from an August 29th, 2013 article details how a new facility hasn’t employed as many workers as planned, only 335 instead of 650, and details how demand for the Bradley vehicle is due to halt in 2014: “The complex is responsible for testing and designing **Army vehicles,** such as **Bradley fighting vehicles, ground combat vehicles (GCVs) and more.** BAE leaders said the company is exploring the creation of GCVs with better protective qualities and carrying capacity. [...] According to GCV program leader Deepak Bazaz, another goal is to introduce a hybrid/electric version of a vehicle to the Army. “What we’re doing is integrating that technology in our GCV offering,” Bazaz said. [...] According to Mark Signorelli, vice president and general manager of Armored Combat Systems, the Sterling Heights facility currently has around 335 workers, though the building is equipped to hold 700. Its staff is smaller than the estimated 650 people who once worked for BAE in the Sterling Heights area — a trend that Signorelli blamed on the economic downturn in the defense industry. [...] According to BAE, other changes are happening to the industry. For instance, the Army plans to halt its demand for the Bradley family of vehicles starting in 2014 and lasting for a minimum of three years. In a statement, the company says it hopes to convince the Army to accept “incremental upgrades to the current Bradley fleet to protect critical workforce skills and the supplier base.”

- A September 2nd, 2009 article suggests an inconsistency of around 70 workers: “The campus will house 600 employees, and while some will transfer from other BAE offices, the majority are new hires, said Hudson. The company reportedly has already hired 400 new workers, primarily engineers, with recruitment efforts ongoing”

**Selected contract awarded recently:**

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⁴ This number is the sum of a district-by-district analysis of BAE Contracts on fedspending.org for years 2000-2012: “Michigan 9: $213,598,066; Michigan 8: $2,243,075; Michigan 12: $419,987; Michigan 10: $109,469; Michigan 6: $77,499; Michigan 5: $37,725; Michigan 15: $19,978; Michigan 11: $13,042; Michigan 7: $12,536; Michigan 13: $5,946; Michigan 1: $2,460.” Please refer to Appendix A for a map of the districts.
3. **Peckham Vocational Industries, Inc. – $72,582,874 (USASpending, 2014)**
   - In total, Peckham Vocational Industries, Inc has been awarded $552,907,8285 in six years. **(FY 2006-2012)**
   - Peckham Vocational Industries bills itself as “a nonprofit vocational rehabilitation organization, provides job training opportunities for persons with significant disabilities and other barriers to employment”

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5 This number is the sum of a district-by-district analysis of Peckham Vocational Industries, Inc. on fedspending.org for years 2000-2012: Michigan 8: $515,438,015; Michigan 7: $37,469,813. The work in these districts is not necessarily contemporaneous.
Selected contracts awarded recently:

- **September 27th, 2013**
  - Peckham Vocational Industries, Inc., Lansing, Mich., is being awarded a $7,653,881 modification to a previously awarded firm-fixed-price contract (N00019-12-C-0098) for the procurement of 3,369 full-up aircrew endurance vests, associated technical data, and spare parts for the U.S. Navy. The aircrew endurance vests include the CMU-37 crew vest with HBU-27 (1,554) and the CMU-38/P pilot vest (1,815). Work will be performed in Lansing, Mich., (68 percent); Arden, N.C., (29 percent), and Hollywood, Fla., (3 percent), and is expected to be completed in July 2016. Fiscal 2011, 2012, and 2013 other procurement, Navy contract funds in the amount of $7,653,881 are being obligated on this award, $553,062 of which will expire at the end of the current fiscal year. The Naval Air Systems Command, Patuxent River, Md., is the contracting activity.

- **May 30th, 2014**
  - Peckham Vocational Industries, Inc., Lansing, Michigan, was awarded an $18,905,472 modification (P00013) to contract W56HZV-12-D-0064 to incorporate the first option year into the base contract for services to the Organizational Clothing and Individual Equipment (OCIE) Central Management Office to establish a national repair system to evaluate, clean and repair unserviceable, but economically repairable OCIE. Funding and work location will be determined with each order. Estimated completion date is May 31, 2015. Army Contracting Command, Warren, Michigan, is the contracting activity.

4. **Avon Protection Systems**

- In total, Avon Protection Systems has been awarded $310.4 million in six years in Michigan 2. ([FY 2006-2012](https://www.fbo.gov/data/sector/military/defense/defense-contractor-avon-3060.html?inscr=0&btn=submit-rs))
- US Headquarters in Cadillac, Michigan; in March of 2014 Avon transferred operations in Georgia over to Michigan, “investing $925,500 and creating 29 new jobs.” ([michiganbusiness.org, 03-12-14](https://www.michiganbusiness.org/031214/Avon-Transfers-Operations-Michigan))
- **250 Employees**
- **Our Protection & Defence business consists of a growing range of respiratory products. The main products are respirators or gas masks (product names M50, C50, ST53, M53 and FM12) together with a range of spares and accessories; the CE-approved emergency hood (EH20) and NIOSH-approved emergency hood (NH15); and SCBA (primarily the Z7 and Deltair product ranges). We can also manufacture the consumable filters used by these products and thermal-imaging camera equipment. The respirators and escape hoods offer breathing protection to varying degrees against CBRN threats while the SCBA equipment offers protection in oxygen depleted environments. We also have a flexible fabrications business which manufactures fuel and water storage tanks and hovercraft skirts.**

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6Numbers cited for contractor parent company: Avon Rubber P.L.C.
Selected contracts awarded recently:

- **August 1st, 2013**
  - Avon Protection Systems, Cadillac, Mich., was awarded a cost-plus-fixed-fee, option-filled contract with a maximum value of $6,721,243 for the development and modification of M53 Masks. Fiscal 2013 Research, Development, Testing and Engineering funds in the amount of $2,389,744 are being obligated on this award. One bid was solicited, with one bid received. The Army Contracting Command, Aberdeen Proving Ground, Md., is the contracting activity (W911SR-13-C-0050).

- **October 29th, 2013**
  - Avon Protection Systems Inc., Cadillac, Mich., was awarded a firm-fixed-price, multi-year contract with a maximum value of $23,471,543 to procure voice protection units for use with the joint service general purpose mask. Work performance location and funding will be determined with each order. The bid was solicited through the Internet, with one bid received. The Army Contracting Command, Warren, Mich., is the contracting activity (W56HZV-14-D-0007).

- **September 16th, 2014**
  - Avon Protection Systems, Cadillac, Michigan, was awarded a $13,700,000 firm-fixed-price, indefinite-delivery/indefinite-quantity, multi-year contract for a sustainment contract for the M53 Joint Service General Purpose Mask. Funding and work location will be determined with each order, with an estimated completion date of Sept. 13, 2019. One bid was solicited, with one received. Army Contracting Command, Warren, Michigan, is the contracting activity (W56HZV-14-D-0132).

5. **L-3 Communications Holdings Inc. – $60,157,501 (USASpending, 2014)**
   - In total, L-3 Communications Holdings Inc. has been awarded $343.9 million7 in eight years. (FY 2004-2012)
   - L-3 Communications and their Combat Propulsion Systems is located in Muskegon, Michigan, 45 miles west of Grand Rapids, and markets itself as “an industry leader in the design, development, manufacture, assembly and test of military engines, transmissions, suspensions and turret drive systems. The large group and facility gives Combat Propulsion Systems the unique ability to control the entire engineering to production release cycle assuring that a quality product is delivered to the customer on schedule” (CPS).
   - May employ around 1,000 people (FindtheCompany)

Selected contracts awarded recently:

- **November 21st, 2014**
  - L-3 Combat Propulsion Systems, Muskegon, Michigan, was awarded a $10,492,234 modification (P00006) to firm-fixed-price contract W56HZV-14-C-0048 for increasing the undefinitized contract action amount for the transmission operational reliability 800 horsepower transmissions and the required ancillary hardware. Fiscal 2014 and 2015 other procurement funds in the amount of $5,141,194 were obligated at the time of the award. Estimated completion date is March 31, 2016. Work will be performed in Muskegon, Michigan. Army Contracting Command, Tank and Automotive (Warren), Warren, Michigan, is the contracting activity.

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7This number is the sum of a district-by-district analysis of L-3 Communications Holdings Inc. on fedspending.org for years 2000-2012: Michigan 2: $266,617,594; Michigan 3: $55,521,031; Michigan 15: $20,378,623; Michigan 7: $1,089,095; Michigan 12: $90,389; Michigan 1: $83,106; Michigan 4: $53,855; Michigan 9: $28,186; Michigan 11: $3,416; Michigan 10: $3,135. The work in these districts is not necessarily contemporaneous.
December 20th, 2013

- L-3 Combat Propulsion System (CPS), Muskegon, Mich. was awarded a $37,641,154 firm-fixed-price contract for 122 Transmission Operational Reliability HMPT 800 horsepower transmissions with required hardware with an option for 58 additional units. Fiscal 2014 other procurement funds in the amount of $5,109,056 were obligated at the time of the award. Estimated completion date is Nov. 30, 2015. One bid was solicited with one received. Work will be performed in Muskegon, Mich. Army Contracting Command, Warren, Mich. is the contracting activity (W56HZV-14-C-0048).

May 12th, 2014, Chad Halcom

- Also, L-3 Communications Corp. in Muskegon received a $10.5 million modification to a previous contract with Tacom, to provide systems technical support on the transmissions of Bradley armored vehicles. L-3’s combat systems propulsion division in Muskegon has been a component supplier to BAE on the Bradley for several years.”

OTHER PERTINENT CONTRACTORS (2000-2012)

- Wolverine Word Wide: $164.6 million
  - Men’s Footwear
  - Headquartered in Rockford, Michigan (3rd Congressional District)
  - Around 227 employees

- Armor Express: $10.9 million
  - AKA Central Lake Armor Express or DBA Armor Express
  - Specializes in body armor
  - Located in Central Lake, MI (4th Congressional District)
  - Around 105 Employees

- Tognum America Inc.: $10.2 million
  - Change of Name to MTU America, Inc. in January 2014
  - Based in Novi, Michigan (11th Congressional District)
  - MTU is “responsible for the manufacture, development, sales and service of MTU engines, propulsion and drive systems and MTU Onsite Energy distributed energy systems in North and Latin America” (Business Wire)
  - Around 518 employees

Examples of contracts awarded recently:

October 29th, 2013

Wolverine Fire Protection, Mount Morris, Mich., was awarded a firm-fixed-price contract with a maximum value of $16,354,747 to procure a fire protection system for Defense Logistics Agency warehouse facilities at Tinker Air Force Base, Okla. Fiscal 2014 operations and maintenance funds are being obligated on this award. The bid was solicited through the Internet, with nine bids received. The Army Corps of Engineers, Tulsa, Okla., is the contracting activity (W912BV-14-C-0002).

Military Bases

1 – Warren – (5,112 total in 2009: 25 active duty and 5,087 civilian)
- The Tank Automotive Research Development and Engineering Center (TARDEC) develops, integrates and sustains the right technology solutions for all manned and unmanned DOD ground systems and combat support systems to improve Current Force effectiveness and provide superior capabilities for the future force. (TARDEC)
For a list of technology focus areas, click here.

- Part of the US Army Research, Development and Engineering Command.
  - “The National Automotive Center (NAC) is responsible for advancing this emphasis on collaboration. This is accomplished by working with private industry to leverage commercial automotive technologies for military use.” (TARDEC)
- Also shares facilities with the headquarters of US Army TACOM (Tank-automotive and Armaments Command) Life Cycle Management Command (LCMC)
  - One of the Army’s largest weapon systems research, development, and sustainment organizations. Mission: “Provide[ ] warfighters with lethality, survivability, mobility, and sustainment for battlefield dominance, through effective and timely acquisition, logistics, and cutting-edge technology.” (TACOM)
- Located alongside the TACOM Life Cycle Management Command is the Army Contracting Command-Warren (ACC-WRN), “one of five major contracting centers under ACC.” As of last year, ACC-WRN employed 709 people, and had “executed more than 31,000 contract actions obligating $5 billion in fiscal year 2014,” as well as managing “more than $138 billion in active contracts.” (ACC-WRN)
- 300,000 employees nationwide, annual sales of $1 billion (Cortera profile)

Community:
- Located in Warren, MI, population 134,056. It is the largest suburb of metropolitan Detroit and third-largest city in MI. The city is home to a variety of businesses, such as General Motors and Cadillac facilities and SRG Global.
- 60% of US automotive engineers located in Michigan.

2 – Battle Creek – (1,616 total in 2009: 157 active duty and 1,459 civilian)
- Also known as the Kellogg Air National Guard Base
- Home to the 110th Airlift Wing, a unit of the Michigan Air National Guard operationally gained by the US Air Force Air Mobility Command
  - C-21 Gap Mission: “to carry cargo and passengers in support of a variety of state and federal missions” – ex. DV transport, communications security, inspector general support, and Red Cross missions; training (Factsheet)
  - Cyber Defense Mission: “empowers 5 Communications Flights and 1 Combat Communications Squadron to provide cyber defense, Guard Global Information Grid Net Assurance (GNA) coverage across all FEMA region” (Factsheet)
  - C-27J missions include maritime patrol, tactical operations, medical evacuation, ground refueling, fire-fighting and aerial spraying.

- Economic impact
  - $22 million in wages, $26 million in GRP to county (Congressional Record)
- AF considered cutting 122 jobs in Mar. 2012; 2200 jobs currently (Michigan Radio)

Community:
- Located in Battle Creek, MI, the 3rd largest city in MI and world headquarters of Kellogg Co. Population: 52,000

3 – Selfridge AGB – (1,100 total in 2009: 272 active duty and 828 civilian)
- The Selfridge Air National Guard Base is a joint DoD and DHS installation and home to the 127th Wing, Michigan Air National Guard.
  - “Our mission is to provide trained, equipped and motivated tanker, fighter and support resources for the community, state and nation. The 127th Wing supports...
three separate Major Commands (Air Combat Command, Air Mobility Command, Air Force Special Operations Command).”

● “The 127th Wing is also host to more than 40 tenant units at Selfridge, which represent every branch of the U.S. Armed Forces: Army, Navy, Air Force, Marine Corps and Coast Guard.

● The U.S. Border Patrol and the U.S. Customs and Border Protection agencies have a significant presence at Selfridge.” (Selfridge AGB)

● 3,000 full-time civilian and military personnel work at the base, along with 3,000 members of the Air and Army National Guard and Reserve components
  ○ Discussion of eliminating 650 jobs due to aircraft relocation (Michigan Radio)

● Primary aircraft: A-10 Thunderbolt II and KC-135 Stratotanker (Michigan Air National Guard); CH-47 Chinook helicopter (Michigan Army National Guard); HH-65 Dolphin helicopter (U.S. Coast Guard); and a variety of light helicopters and fixed wing aircraft (Customs & Border Protection (Fact Sheet))

Community:

● Located in Harrison Township, MI, 20 miles NE of Detroit.

Selfridge/127th Wing website