

# Budget Status Makes Defense Cuts Inevitable

by Jim Stickford

Sequestration of the federal budget means a lot of things, but for now, the situation has stabilized in terms of military spending, said Mark Signorelli, BAE Systems vice president and general manager for armored combat systems.

Signorelli is based out of BAE Systems' Sterling Heights facility. He said that all the recent actions by Congress have given those in charge of defense spending some needed flexibility. Until the most recent continuing budget resolution was passed with its contingencies for defense, it appeared that the defense budget would have been cut 10 percent across the board.

Now, Signorelli said, the Army can better plan which projects get cut by how much.

"Now they can get money in the right buckets," Signorelli said. "If they didn't pass the most recent appropriations bills, the result would have been some projects would have been underfunded and some projects would have been overfunded and they couldn't move money from one bucket to another."

That's the short-term picture, Signorelli said. Congress has spent so much time working on this year's budget, he said, that they haven't really looked too much at next year's budget.

"We're past the immediate crisis," Signorelli said. "But as for the longer-term effects of sequestration, we're less certain of what the impact will be."

Not having a better sense of the future budgets, Signorelli said, hurts the morale of employees who are now worrying about their jobs. Not knowing future budgets is "also a nightmare" because it's hard to manage budgets. Lack of knowledge also handcuffs departments in their ability to make smart choices of how money will be spent in the future.

"Everyone's expectation is that we can't continue to operate this way, so, eventually, choices will have to be made on how to project spending," Signorelli said. "For example, the Army may decide to reduce end strength – that's the number of troops – because at this point in time, with the U.S. winding down two wars, the Army wants to invest in future capabilities instead of maintaining a force that will go unused."

That's a potential choice, Signorelli said, using that as an example of the kind of decision that will have to be made in the future if current budget conditions continue.

"If the Army – it's the Army for us – gets the ability to prioritize, depending on how programs turn out, we could see a 20 to 30 percent decrease in staff at the Sterling Heights location," Signorelli said. "That's instead of an automatic 10 percent under the original sequestration rules."

"It's unlikely that we are going to see the program accelerated

and have an increase in staff. Maybe our programs would be left alone. I'd like that. In an ideal world, all programs would be untouched – but that's unlikely."

So, Signorelli said, there will be an impact from sequestration, it's just a question of to what degree. These cuts would come on top of a 50 percent staff reduction over the past three years that was the result of the end of the war in Iraq.

"The Army no longer needs us to create defenses in armored vehicles against IEDs," Signorelli said. "We're also phasing out troops in Afghanistan. We're seeing two major wars trend down, so there's less need for armored vehicles."

Companies like BAE Systems and General Dynamics will be affected, Signorelli said. That's to be expected, but what many people don't realize that as prime defense contractors see cuts, loss of business will trickle down to subprime contractors.

"I'm talking about small businesses that might only make one or two items for the Defense Department," said Signorelli. "Cuts might drive them out of business or owners might decide it's not worth their time and efforts to stay certified as a defense contractor, so they revert to strictly commercial business."

The end result is that a lot of expertise is lost, Signorelli said, adding that BAE is proud of the

staff the company has assembled and doesn't want to lose them.

Signorelli said that in the past there's been a healthy exchange of staff between the auto and defense industries, but he doesn't want to lose a workforce the company is proud of and he doesn't want to see the defense industry lose capabilities.

The goal shouldn't be to build more armored vehicles, Signorelli said. The goal should be to develop technologies that can improve and upgrade the vehicles the armored and motorized Army already has. That will require research, which requires money.

Congress, the Pentagon and private industry need to work together to manage defense spending cuts, Signorelli said. Because there is a smart way to cut the military budget and that method isn't just cutting all budgets across the board by the same amount. In this case it is 10 percent.

There are costs associated with shutting down projects and there are costs that come with starting up a project a few years after it was shut down. All that money spent produces exactly nothing, while wasting a huge amount of time in terms of project development and production of better defense systems.

"That's money that could be



Mark Signorelli

better spent maintaining an industrial base for the defense industry," Signorelli said.

"I expect to see a reduction in staff here at BAE, but the challenge is trying to plan in advance. It's hard to make plans for a year or two in the future when you don't know what is happening next week."

The bottom line, Signorelli said, is that cuts are going to happen.

Contractors in metro Detroit will be affected by what's going on in Washington.

And, if Congress, the military and private industry work together, he said, they can manage the cuts responsibly.

But that's a big if.

## Expert to Talk Social Media at INCubator Event

In the era of smart telephones and portable electronic tablets, using the new social media techniques to reach new consumers and stay in touch with the customers you already have.

That's why the Macomb-OU INCubator at the Velocity Collaboration Center, 6633 18 Mile Road in Sterling Heights, is holding a special seminar titled "Demystifying Social Media."

The class will be held on Tuesday, April 23, beginning at 9 a.m. It is expected to last about an hour. The speaker will be David Murray. He is the manager of social media for Blue Cross, Blue Shield of Michigan.

This is part of a series of talks that will be given by the Social Media Club Detroit. The next meeting is on May 21, and there will be additional meetings on June 25, Sept. 19, Oct. 22 and Nov. 19.

Murray will kick off the series with an easy-to-follow and educational break down on what social media truly is and how it really works. He is the founder of the Social Media Club Detroit and is a national speaker on digital communications. Attendance is free, but pre-registration is required. Email Joan Carleton mac-INC@Oakland.edu to sign up for the series.

## Red Point Engineering in AH Turns Gas Cars into Electric

by Jim Stickford

The Auburn Hills-based company Red Point Engineering is looking to make some noise in the electric and hybrid technology community.

The firm will have a booth at the upcoming Electric & Hybrid Technology Expo, which will be held in Novi's Suburban Collection Showplace Sept. 17-19.

Red Point will be showing off its technology, which is used to convert gas-powered vehicles to vehicles with electric propulsion systems.

Company co-founder Monica Kedzierski said Red Point first built an EV-tech vehicle in 2008. They've built several since and are looking to "accelerate" into the marketplace.

"We started out in Silicon Valley in California," Kedzierski said. "We moved to Auburn Hills because of the supply chain and the technical people in Michigan. Plus, Auburn Hills is right off I-75 and that's convenient. We also liked the friendliness of the city's managers."

Kedzierski said her husband, Norbert, also a founder of the company, has just applied for a patent for the company's mid-sized engine conversion system that takes a vehicle from gasoline-powered to electric propulsion.

While they say they specialize in drivetrain and powertrain

technology, Kedzierski said they really deal in vehicle propulsion systems. People often don't understand the difference, she said.

Right now, Red Point is enjoying some success with its products. The firm last year received the 2012 "Best Four-Wheel Conversion EV Award" at the fourth annual Michigan Electric Vehicle Show and Rally. This year's show is in June and sponsors include DTE Energy and Schoolcraft College.

One judge said that "if I didn't know that Porsche did not release an electric car for sale, I would have thought that this electric Porsche was manufactured by the OEM."

She said their customers are different groups of people. Some are those who wish to leave the traditional ICE propulsion system behind. Others are early technology adopters. Then there are the trendsetters who just like being ahead of the curve.

The company converts many different models of cars, but specializes in Porsches, Kedzierski said.

"We convert gas-powered vehicles to EVs," Kedzierski said. "We do it two different ways. A customer can send us his or her car and we do all the work."

Or, Red Point can send a complete conversion kit to the customer that contains everything



This Porsche, which was converted to an EV propulsion system by Red Point Engineering of Auburn Hills, won the Best Four-wheel Conversion prize at the 2012 Michigan Electric Vehicle Show and Rally.

the customer needs to do the work himself.

Right now, they are targeting specific market niches. These include the collector market, the classic niche and the sports car enthusiasts, Kedzierski said. In addition to specializing in Porsches, Red Point offers customers a variety of options when it comes to determining a vehicle's range. Different customers have different requirements and

they want options to be available before making a decision.

It's important to get the word out now on what the company can do, Kedzierski said. Hence, the booth at the upcoming Novi show.

In addition to doing vehicle conversions, Red Point Engineering provides a wide range of design and consulting services in the area of powertrain/drivetrain development and integration, Kedzierski said.



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