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# CT Firms Mostly Shielded From Defense Cuts

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After years of skyrocketing defense budgets to fight wars in Iraq and Afghanistan, industry insiders expect to see reductions in military spending. But Connecticut's main defense players will likely be shielded from immediate cuts, analysts said.

With budgets locked in for the next couple of years, though, likely targets for reductions could be future combat systems, said Richard Tortoriello, an aerospace and defense analyst for Standard & Poor's Equity Research. Cuts in that sector would directly affect the Boeing Co. and California-based Science Application International Corp., but not Connecticut companies, he said.

## Warning Signs

Global warning signs are also likely to dissuade the incoming administration from seeking widespread cuts, Tortoriello added, pointing to the recent Georgia-Russia conflict and China's emerging military capability.

"Of course, the incoming administration can influence [the 2010] budget and certainly members of Congress can influence it, but I don't expect too many changes," Tortoriello said.

In the 2007 fiscal year, Connecticut's defense companies raked in billions of dollars in federal contracts. United Technologies Corp., General Dynamics Corp. and Colt Defense were the state's top three recipients of federal money, bringing in \$5.1 billion, \$2.2 billion and \$215 million, respectively, according to OMB Watch.

That represents a sharp increase from the 2000 fiscal year, when General Dynamics — whose Electric Boat division builds submarines in Groton — received \$925 million, UTC received \$803 million and Colt Manufacturing Co. received \$8.3 million.

Though a \$5 billion contract extension for the F-22 Raptor fighter aircraft is coming to a close in 2011, prospects for another extension seem favorable, said Shaun McDougall, defense analyst for Newton-based Forecast International Inc.

In July 2007, Pratt & Whitney was awarded a \$1.3 billion contract from the U.S. Air Force

to deliver engines for the F-22 through 2010, and the East Hartford-based UTC subsidiary was awarded a \$521 million engine maintenance contract in February. Tortoriello said that lawmakers have started to focus on cost overruns on the F-22, however.

Pratt & Whitney is also the primary engine supplier to the F-35 Joint Strike Fighter, a program that is expected to deliver up to 3,000 new planes over the next several decades. McDougall described the program as “pretty safe.”

The outlook is also good for Stratford-based Sikorsky Aircraft Corp., which last year signed a five-year contract worth at least \$7.4 billion through 2012. The contract calls on Sikorsky to deliver 537 H-60 Hawk helicopters to the U.S. Army and U.S. Navy, and a contract option to deliver an additional 263 helicopters could boost its value to \$11.6 billion. The contract also includes HH-60M Medevac, MH-60S Seahawk and MH-60R Seahawk aircraft.

Sikorsky was awarded a \$3 billion contract two years ago toward the development of the CH-53K heavy lift contract for the U.S. Marine Corps. McDougall described the program, which is supposed to deliver 156 aircraft with the potential to deliver as many as 230, as “very safe.”

Long-term programs, such as the Joint Strike Fighter, might face more scrutiny as the Department of Defense looks to control spending, said Jon Barney, a member of Washington, D.C.-based Russell Reynolds Associates’ airlines, aerospace and defense practice.

## **Subs Got A Boost**

“It’s not that they’re in the mindset of cutting programs dramatically, but they’ll be looking at where you might be able to reduce costs,” Barney said.

Other Connecticut defense companies should also survive defense cuts, analysts said. Electric Boat’s largest project, the Virginia-class attack submarine program shared with Newport News Shipyard in Virginia, received a boost early this year when President Bush upped the program from one boat per year to two starting in 2010.

Colt Defense is well-positioned over the next couple of years as the provider of the M4 and M16 carbines to the U.S. Army. The Army last month purchased almost 500,000 M4s to be delivered over the next two years, completing Colt Defense’s contract.

However, the Army will likely release a request for proposals for a replacement to the M4 next year, according to the industry publication Military Times. The M4 came under scrutiny last year when it finished last in a reliability test against other carbines, though the Army said the M4 has a 92 percent approval rating from soldiers in combat.