



EBONY COX, MILWAUKEE JOURNAL SENTINEL

After winning a trade fight with China, Stoughton Trailers CEO Bob Wahlin says, the company has boosted production at its three Wisconsin plants and opened a new plant in Waco, Texas. The company builds the chassis for intermodal shipping containers that are essential in global transportation.

Wisconsin Companies Started to Return Manufacturing to the U.S. During Pandemic, War in Ukraine Reinforces That Move

RICK BARRETT

After winning a trade dispute with China, Stoughton Trailers boosted production of equipment that's essential for the movement of manufactured goods across the nation.

This year, the company says, it's adding 500 jobs in Wisconsin and Texas to produce the framework, known as the chassis, for intermodal shipping containers used to haul everything from clothing to vehicle parts.

Stoughton Trailers recently opened a factory in Waco, Texas, in addition to boosting production at its three Wisconsin plants.

"Business has started to explode," said Bob Wahlin, president and CEO of the company that's been in Stoughton, in Dane County, since 1963.

"We are making investments over the next five years to put ourselves in a much better position to compete against the Chinese," Wahlin said.

The company's growth has come as transportation, medical products, defense, and other U.S. industries have struggled with supply chain issues and some have called for domestic manufacturing of critically important products.

One of the enduring images from 2021 was of ships sitting idle at the Port of Los Angeles, shortly before Christmas, waiting to unload millions of containers from Asia that had been back ordered for months.

Some said it was a wake-up call to become less reliant on China, and that the United States should double down on keeping key manufacturing at home or in countries

aligned with U.S. values and interests.

"Where the pandemic didn't make that clear to us, the war in Ukraine will," said Missy Hughes, Secretary and CEO of the Wisconsin Economic Development Corp.

As the war unfolded, Hughes was in Germany and Austria meeting with business leaders about shoring up their Wisconsin connections.

"There was a lot of conversation about transatlantic relations," she said.

We haven't been well prepared

The pandemic revealed the U.S. wasn't prepared for major shocks to its supply chains, according to Bradley Martin, a senior researcher with the Rand Corporation, a global policy think tank in Santa Monica, California.

"This vulnerability stretches across whole sectors of the economy," Martin said.

"I think the nation needs a supply chain strategy that takes into account our national security challenges, and that may involve repatriating some industries."

China has shown it can undercut American companies through its trade policies.

A Chinese competitor of Stoughton Trailers illegally flooded the United States with products at below-market prices, for less than what Stoughton paid for the raw materials, according to Wahlin.

"Within a few short years, they basically eliminated the entire U.S. cargo container industry and nearly all of the trailer chassis industry," he said.

But last summer, Stoughton and its American peers prevailed

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Oscar Soto places the air hoses through the chassis Wednesday, March 9, 2022, at the Stoughton Trailers plant in Stoughton, Wis. The red air hose filters air to the brakes and the blue air hose re-circulates air to the front.



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Dick Powell, strategic initiatives and special projects manager, holds a meeting Wednesday, March 9, 2022, at the Stoughton Trailers plant in Stoughton, Wis. The company produces semi trailers, various other transportation equipment, refrigerated trailers, container chassis and much more. "When you see larger product hauling freight, it is a good chance it is a Stoughton Trailer," Bob Wahlin, president and CEO of Stoughton Trailers said.

in their trade dispute with China when the federal government cleared the way for more than 220% in import duties on Chinese-made trailers.

It kept the U.S. from being dependent on a monopolistic company backed by the Chinese government, according to Robert DeFrancesco, attorney for the Coalition of American Chassis Manufacturers.

"With the antidumping measures in place, U.S. producers who have suffered significant injury will be able to compete on a level playing field, ramp up unused capacity, hire new workers, and continue their overall recovery," he said in a statement.

The tariffs will be reviewed by the Commerce Department in five years, so it could be a relatively short-lived reprieve.

"We need to use this time to build back the industry," Wahlin said.

Partnerships with other governments

Pharmaceuticals and medical supplies are two other fields in which the U.S. has become vulnerable to Chinese suppliers.

While in Germany, Hughes from the WEDC met with officials at Merck, a German company which makes a component of COVID-19 rapid antigen tests.

Merck, through a subsidiary of its life sciences division, was recently awarded \$136 million in U.S. government contracts to manufacture the component at a plant in Sheboygan Falls.

It's the type of agreement that nations with shared goals ought to pursue, according to Hughes.

"Whether it's a government or economic relationship, it

strengthens our ties," she said.

President Joe Biden's \$2 trillion infrastructure plan included \$50 billion to help make the country less dependent on foreign-made computer chips used in everything from automobiles to video games.

"In recent decades, the U.S. lost its edge—our share of global semiconductor production has fallen from 37% to just 12%," the White House said in a statement.

But while a turnaround could take considerable time, technology companies have found ways to keep work at home where it's easier to manage.

One example is Astronautics Corporation of America, in Oak Creek, that makes devices used in aircraft navigation and air-to-ground communications.

By necessity, Astronautics has a multinational supply chain. But it also has local suppliers including a circuit board manufacturer in Milwaukee.

"If there's an issue, or if we have questions, we can drive over to their place and work it out face to face," said Jason Rowell, Astronautics' operations director.

American defense industry is struggling

In some recent years, the U.S. has spent more on its military than the next 10 countries combined, far outpacing even Russia and China.

That money, however, has gone to fewer companies. The number of Pentagon "prime vendors," those that receive contracts directly from the government, has fallen 36% in the last decade, according to an analysis by Bloomberg Government.

Moreover, much of the busi-

ness now belongs to a handful of large defense contractors and their subsidiaries.

"Such concentration imposes costs on both the military and the public," Bloomberg said in an editorial. "More than two-thirds of major Defense Department contracts are awarded without a competitive bidding process...most of the rest receive bids from two or fewer competitors."

A shrinking defense industry undermines the nation's ability to respond to conflicts.

"It's a serious problem," said Aina Vilumsons, executive director of the Wisconsin Procurement Institute in Milwaukee.

Wisconsin makes everything from boots to combat ships for the U.S. military. Yet even some of the most experienced vendors have struggled to keep their footing in the government marketplace.

For instance, Wisconsin Ordnance Works, in Oshkosh, has made drive sprockets and other parts for military tanks since the Vietnam War. Its components are on some of the nation's most powerful warfighting machines.

But lately the company has

struggled with rising costs while largely being locked into what the government agreed to pay earlier.

The federal Buy American Act, first imposed in the 1930s, has limited Wisconsin Ordnance Works to acquiring steel from only three mills in the U.S., and currently only one of them is interested in the company's relatively small volume of business.

The price the company pays for some specialty steel has soared 150% in the last 18 months. What's more, the Pentagon's requirement for tougher cybersecurity has placed a costly burden on small companies like Wisconsin Ordnance.

"Honestly, I don't ever want to go through this again. It's not been a pleasant period," said company President Jim Robinson.

Still, there's a lot of pride in supplying goods and services for the armed forces even if it means struggling to remain profitable. "I think we've held out a little longer than we should have because of that pride," said Robinson, a U.S. Army veteran.

Cumbersome regulations and uncertain profits have kept many businesses from pursuing

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A finished chassis pictured at the Stoughton Trailers plant Wednesday, March 9, 2022, in Stoughton, Wis.



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Crystal Beyers, left, and Peter Downs, right, talk amongst themselves Wednesday, March 9, 2022, at the Stoughton Trailers plant in Stoughton, Wis.



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Alexander Torres, left, and Caesar Lopez, right, work on the Pacific machine Wednesday, March 9, 2022, at the Stoughton Trailers plant in Stoughton, Wis. The Pacific machine works to bend a part.

defense contracts. The number of new entrants in the field has fallen significantly in recent years, according to the National Defense Industrial Association.

"This is a risk to innovation," the trade group said.

The overall health of the defense industry received a "failing grade" in NDIA's 2022 Vital Signs report, with industrial security ranked as the weakest category.

"Data breaches, intellectual property theft, and state-sponsored industrial espionage in both private companies and university labs are on an unrelenting rise," the report said.

Shoring up foreign and domestic supply lines

Global trading might have reduced the threat of war as the economies of countries became intertwined, but that premise has been challenged by what's happened in Ukraine.

"Now we have conflict," and businesses are reconsidering their exposure to globalization, said Tim Sheehy, president of the Metropolitan Milwaukee Association of Commerce.

"I think the double whammy of the pandemic, and now war, has certainly raised questions about having a more localized

supply chain," Sheehy said.

Sometimes shortages of a small, unassuming component can keep a company from finishing a product and getting it out the door.

"We had many thousands of dollars of metal fabrications all done and sitting in our shipping area waiting for little rubber isolators, which were stuck on a freighter off the coast of California," said Eric Isbister, CEO of GenMet, a manufacturer in Mequon.

Soaring shipping costs have lessened the value of overseas manufacturing.

In some cases the costs have more than tripled, said Larry Weyers, president of Ariens Co., a manufacturer of snow blowers and other outdoor power equipment in Brillion.

But there are raw materials that are only sourced from a few countries.

The war in Ukraine could disrupt supplies of helium, used in the manufacturing of semiconductors and to cool magnetic resonance imaging (MRI) machines, because much of the gas comes from one large plant in Russia.

It's not practical or affordable to make some products domestically.



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The U.S. will never manufacture everything it needs, said Austin Ramirez, CEO of Husco International, an automotive components manufacturer in Waukesha.

"The right goal is to think about resiliency in the supply chain," Ramirez said. "We can have some key processes that we control here, and we can make sure the key processes that aren't in the United States have resiliency."

There could be more emphasis on regional, rather than over-

seas, trading partners in coming years, according to Marko Bastl, director of the Center for Supply Chain Management at Marquette University.

"I really hope that two years of COVID, plus this war, will transform the way we think about supply chain risk management," Bastl said.

