



Lockheed's stance on defense cuts questioned

Contractor says nearly 10,000 job cuts could be in offing; critics say it's all politics

By [Daniel Malloy](#) | August 13, 2012

WASHINGTON -- Government contracting behemoth Lockheed Martin has been at the fore of a campaign against defense spending cuts scheduled to begin in January, but its warnings have drawn accusations of exaggeration and questions about the real economic impact of shrinking the Pentagon.

Lockheed has said about 10,000 of its 120,000 employees could lose their jobs if \$500 billion in defense cuts over the next decade go through, and it has threatened to send a mass of layoff warnings days before the presidential election. Warnings are required by law 60 days before a company lays off workers.

But Lockheed has cut 26,000 jobs in the past three years as it received more money from the government. Its \$42 billion in fiscal 2011 made it the nation's largest federal contractor by far. And the Department of Labor said layoff notices would be "inappropriate" since Lockheed will not know the fate of its contracts until long after January.

"Lockheed is trying to exploit the environment to protect its bottom line, and so far it's not working a bit," said Winslow T. Wheeler, a military reform advocate at the Center for Defense Information. He cited a study last week by the nonpartisan Project On Government Oversight detailing how defense contractors have cut jobs while receiving more federal money in recent years.

Georgia Republican Sen. Saxby Chambliss said he believed the DOL's instructions on layoff notices were politically motivated. "The upcoming election is ultimately about the economy and jobs, and the Obama administration knows how damaging these layoff notices would be close to election day," he said in an emailed statement.

Christopher Preble, vice president of defense and foreign policy studies at the libertarian Cato Institute think tank, said it is hypocritical for Republicans to argue the economic benefits of defense spending when they have vigorously attacked the school of thought, named for economist John Maynard Keynes, that government spending stimulates the economy.

"It's outrageous," Preble said. "They are situational Keynesians. It's clearly inconsistent."

Cato's Benjamin Zycher released a study last week taking issue with reports, including findings of a well publicized George Mason University study paid for by the aerospace industry including Lockheed, that the cuts would savage the economy. Zycher argued they would improve the economy over time because resources would be allocated more efficiently through the free market instead of the government.

The cuts, known in Washington lingo as “sequestration,” are a result of last year’s deal to raise the federal borrowing limit and the failure of a congressional “supercommittee” to agree on a consensus alternative to reduce the deficit. If they go through, projected spending would be reduced about \$1 trillion, split evenly over 10 years between defense and domestic programs.

Lockheed CEO Robert J. Stevens told the House Armed Services Committee last month that “the impact on industry would be devastating.”

Lockheed employs about 8,700 people in Georgia, including 7,440 at its Marietta facility building fighter planes. Since 2010 the number of Marietta employees has dropped by about 600, as the companywide labor force declined about 18 percent.

But from fiscal 2008 to fiscal 2011 – the most recent year available – Lockheed’s federal contracting revenue rose from about \$35 billion to more than \$42 billion. The company brings in 82 percent of its revenue from federal contracts, according to a recent filing with the Securities and Exchange Commission.

In response to questions from the AJC, a Lockheed spokeswoman said the recent job cuts improved efficiency and the increased contract money has gone to projects for which the company has relied more on subcontractors.

“Unlike these carefully planned efforts to reduce our operating costs to align with our customers’ requirements, sequestration would result in abrupt and arbitrary cuts across most of our business lines with no consideration for strategic planning,” the spokeswoman said.

She said the company is “reviewing the Department of Labor’s guidance” about the layoff notices.

Layoff notices days before the election would be a political powderkeg, though the fight is already sparking during the August congressional recess.

A trio of prominent Republican senators traveled to swing states such as Florida and Virginia to try to blame the looming cuts on President Barack Obama. The president signed a law last week forcing his administration to offer details in early September on the cuts’ impact.

Last week Chambliss and Georgia Republican Sen. Johnny Isakson visited Columbus, Albany and Marietta — joined by local House members — to discuss the pending cuts in military-heavy areas. At each stop they warned of job losses, according to local news reports.

The primary concern expressed by the defense industry, Pentagon and members of Congress is military readiness, though a jobs argument is becoming more prominent.

Many in Congress are pressing for action to reverse the cuts, but they are at a stalemate for now. Republicans are resisting Democratic demands for increased tax revenue while Democrats rejected a Republican push to shift all of the cuts to nonmilitary programs.

Michael Linden, director of tax and budget policy for the liberal think tank Center for American Progress, argued that any massive spending cuts would be bad for the economy, whether they hit the military or health care research.

“There’s nothing economically magical about defense,” Linden said. “I’m a little mystified as to why Republican politicians are getting away with being up in arms about the jobs impact of sequestration on defense but are simultaneously saying things like, ‘stimulus costs jobs.’ ”

Coweta County Republican U.S. Rep. Lynn Westmoreland countered that Republicans’ preferred spending cuts “are things that won’t necessarily, to me, kill jobs.” House Republicans passed a bill to replace the defense cuts with trims to programs such as food stamps and services for disabled people. It was blocked by the Democrat-run Senate.

U.S. Rep. Phil Gingrey, R-Marietta, said the test for Congress is figuring out how to reduce spending responsibly: “All government spending is not equal and so as I look at this I think, well, what can we do to avoid hollowing out the military and find other areas to cut?”

Steven Bucci, a research fellow at the conservative Heritage Foundation think tank and a former Pentagon official, said government spending should not be a jobs program, but some unique aspects make the defense industry vulnerable.

The defense industrial base has few clients other than the government – and we don’t want them making weapons for unfriendly nations — so big cuts will seriously harm an entire industry, Bucci said.

“If we lose jobs in other manufacturing areas, then we’ve lost those jobs and the economy is supposed to do the big amoeba thing and adjust and right itself,” Bucci said. “If we lose them on the defense side, there’s no place for them to go in a lot of cases.”