



Defense CEOs could live with higher taxes

By: Tim Mak – December 3rd, 2012

Defense industry CEOs are nudging politicians, particularly Republicans, to give a little leeway on tax rates.

Top defense industry executives said Monday at the National Press Club that they were willing to see an increase in income tax rates, a position that much of the Republican Party has stood staunchly against.

“In the near term, [income tax rates] need to go up some,” TASC Inc. CEO David Langstaff told POLITICO after the event. “This is a fairness issue — there needs to be recognition that we’re not collecting enough revenue. In the last decade we’ve fought two wars without raising taxes. So I think it does need to go up.”

Dawne Hickton, CEO of RTI International Metals, said he had “no issue with an increase in personal income taxes.” The answer to the problem of the fiscal cliff needs to be “balanced, it’s got to be across the board,” he said. “I believe in a Warren Buffett approach.”

Buffett, the billionaire investor, supports a rule in which those making more than a million dollars per year would pay a minimum of 30 percent in taxes.

Hickton, whose firm is based in Pittsburgh, said that she had been using her status as a defense industry CEO to personally deliver that message to Republicans in Congress who are resisting an increase in tax rates.

“I’ve spent more time in Washington in the last two years than I’ve spent in my entire life,” she said.

Other CEOs were open to the idea of income tax increases, but were less specific about what precisely they’d like to see and clearing space for other types of tax increases.

“There ought to be comprehensive tax reform. Certainly, part of the solution here may involve personal tax rates, but I think that corporate tax rates need to be considered, and other elements of the tax code,” said David Hess, the president of jet engine-maker Pratt and Whitney.

“All elements of the fiscal component have to be on the table,” added Wes Bush, CEO of Northrop Grumman.

Government watchdogs, who have been critical of what they consider to be high levels of defense spending, were skeptical of the industry's position on tax rates.

"I was hoping that Wes Bush might come out and confess to his \$26.2 million compensation package that he had last year. That guy is going to pay more in taxes this year than any of us are going to make," said Ben Freeman of the Project on Government Oversight on a conference call responding to the CEOs' event. "Even under sequestration, defense funding will still be at historically high levels."

"I don't think it should surprise anyone that the defense industry, which is overwhelmingly dependent on taxpayer money to survive, wants more taxpayer money," agreed Chris Preble, vice president for defense and foreign policy studies at the Cato Institute.

The unified message emerging from the Press Club event was that sequestration is indiscriminate and unacceptable, and the CEOs touted a letter with 115 industry leaders urging the president and Congress to avert the fiscal cliff.

Even though the industry leaders weren't willing to advocate for particular outcomes — "We're not here to prescribe solutions," Hess said — they stressed that cuts should be thoughtfully, rather than indiscriminately applied, and that politicians should show leadership.

"There's a game going on — too many of our elected officials seem to think they can let sequestration happen, the fiscal cliff happen, the Bush tax cuts then end ... then all of our elected officials can then vote for a tax reduction," said Langstaff. "I hope that the public sees that as a travesty, as a total lack of leadership."