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http://www.theforecaster.net/policy-wonk-enough-is-never-enough-for-bath-iron-works/

Policy Wonk: Enough is never enough for Bath Iron Works

By Orlando Delogu on January 15, 2018

Bath Iron Works wants another $60 million from Maine taxpayers. The Legislature's answer should be no.

Not content with the roughly $20 million it secured in the early 1980s from the state and the city of Portland for a failed dry dock facility; the $198 million for plant renovation provided by the Legislature and the city of Bath in the late 1990s (portions of which are still being paid out to BIW), or the additional $3.7 million squeezed out of Bath in 2013, BIW now wants another $60 million from Maine's taxpayers via LD 1781.

Let's get some facts on the table. First, Maine is a relatively poor state. Recent data indicates that per capita income nationally is $46,000; per capita income in Maine is less than $41,000, or 33rd in the nation. The per-capita income in every other New England state is above the national average and well above income levels in Maine.

Second, the budgetary needs currently facing the state are huge. The legislative session now underway is charged with finding $50 million to $60 million to fund Medicaid health insurance expansion. Another $30 million to $50 million will almost certainly be needed to repay the federal government as a result of mismanagement at, and the decertification of, the Riverview Psychiatric Center. The state's roads and bridges continue to be woefully underfunded, as is the state's battle against the opioid crisis.

General Dynamics (the parent corporation of BIW) is the fifth-largest defense contractor in the world, and ranks 90th on the most recent list of Fortune 500 companies; from the late 1990s to the present it has climbed steadily from 375th on the Fortune list to its present position.

General Dynamics had $31.3 billion in revenues in 2016 (roughly four times the annual budget of the state of Maine) and earned just under $3 billion in profits (a 9.4 percent return on revenues). It pays its chief executive officer $21.2 million annually, and four others in corporate leadership earn a combined $21 million annually.

Finally, BIW is acknowledged to be one of the most profitable of the company's divisions; it has a near 10-year backlog of work. General Dynamics is so profitable and generated so much cash on hand that from 2009-2016 it engaged in stock buy-backs totaling $12.9 billion. As of September 2017 it still had $2.7 billion in cash and short-term investments on hand.

That's 27 times more money than the $100 million BIW is committed to invest in plant modernization over the next 20 years under the provisions of LD 1781 – two-thirds of which ($60 million) would be reimbursed by the taxpayers of Maine if this legislation is adopted.

This is corporate greed run wild. BIW and its parent company are awash in money; they do not need $60 million from Maine taxpayers. They can bear the cost of any and all plant modernizations they deem necessary from cash on hand. Their competitive position versus the Huntington-Ingalls Shipyard in Mississippi is not at risk in the least degree.

The argument that BIW needs another $60 million in corporate welfare to keep up with Ingalls is a sham, and has always been a sham. It is a ruse used by both corporations to extort state and local tax concessions from their respective hosts –concessions that fatten executive salaries, returns to shareholders, and the corporate bottom line.

These two corporations are big, powerful, and an important part of the nation's defense strategy, but they are not equal. Ingalls' 2016 revenues were less than a quarter of General Dynamic's revenues, and it ranks 380th on the Fortune 500. Its 2016 profit margins are comparable, but General Dynamics' is slightly higher. Theirs is a friendly competition to produce military vessels for a single buyer, the U.S. government.

This buyer divides its purchases almost evenly between both of these yards. It wants the best and builds-in adequate profit margins to get the best. For strategic reasons, the government needs the geographic separation that Ingalls and BIW provide. The Trump defense budget suggests that both of these yards will do well for many years to come.

In short, LD 1781 is not needed. BIW and General Dynamics should be embarrassed to put this measure forward; it is an unconscionable corporate overreach. Maine has far more pressing demands for scarce tax dollars. The Legislature should say no.

~ Orlando Delogu of Portland is emeritus professor of law at the University of Maine School of Law and a longtime public policy consultant to federal, state, and local government agencies and officials. He can be reached at orlandodelogu@maine.rr.com