

RAYTHEON

By William Hartung

Major Weapons Programs

America's third largest military contractor is involved in over 4,000 weapons programs. As Tom Culligan, VP for Business Development, put it:

"you see Raytheon's brand name everywhere – from tanks and rifles to ships, aircraft and UAVs [unmanned aerial vehicles]."

Raytheon's best-known product is probably the Patriot missile, which received massive publicity during the 1991 Gulf War. Analyses after the conflict, by Dr. Theodore Postol of the Massachusetts Institute of Technology and the Israeli military, indicated that Patriots were far less accurate than U.S. officials claimed, missing their targets more often than not. The missile's reputation was further tarnished when defective Patriot II systems, sold to many NATO allies, had to be recalled.

Another Raytheon system is the Tomahawk land-attack cruise missile. Raytheon describes it as "the U.S. Navy's weapon of choice" saying it:

"has played a crucial role in several theater operations including: Operation Desert Storm, Bosnia, Iraq and Kosovo. Over 300 Tomahawks were used in Operation Desert Storm.... Since [then]...more than 1,000 Tomahawks have been fired."

Other Raytheon missiles include the AIM-65 Maverick, an air-to-surface missile that the company describes as: "the most widely used precision guided munition in the free world... integrated on virtually every fighter aircraft in the free world ranging from the F-4 Phantom, F/A-18 Hornet, F-16 Falcon, AV-8B Harrier, the JAS-39 Grippen, and...P-3C Orion."

Raytheon also makes the AIM-9 Sidewinder air-to-air missile and the AIM-120 Advanced Medium Range Air-to-Air Missile, which has been sold to 20 other nations, including Thailand and the United Arab Emirates.

Raytheon also makes radar, surveillance and targeting systems for most U.S. warplanes, including the F-15, F-16, F-22, V-22 and the AC-130 "gun ships." Raytheon calls this "the Terminator family of targeting systems."

It has billions in overseas sales to Israel, Egypt, Saudi Arabia, Turkey, Indonesia, Malaysia, Oman, Singapore, Greece, Taiwan and South Korea.

Nuclear Weapons & BMD

Raytheon stands to profit greatly from the U.S. decision to walk away from the 1972 Anti-Ballistic Missile Treaty and to move full speed ahead towards deployment of a multi-tiered "Missile Defense" (MD) system. Raytheon is the prime contractor, or system integrator, for these MD contracts:

- Exoatmospheric Kill Vehicle
- X-band radar and Upgraded Early Warning Radar, major aspects of land-based element of MD.
- PAC-3 system: Medium range interceptor missile based on the Patriot
- The radar system for Lockheed Martin's THAAD system;
- Navy Theater Wide: A sea-based project based on "Standard missile."

Raytheon has had many problems in its MD work. Funding for the Space-Based Infrared System Low, a satellite surveillance and targeting system (a joint program with TRW), was held up by Congress due to repeated cost overruns and schedule slippages. In 2001, the Pentagon's Missile Defense Agency (MDA) cancelled the Navy Area Defense (NAD) program, a short-range missile system that, like Navy Theater Wide, was to use interceptors based on Raytheon's "Standard missile." Cancellation of the \$9 billion NAD program came shortly after a Pentagon decision to scale back purchases of Raytheon's Joint Standoff Weapon system, a "glider" bomb designed to hit targets from as far as 40 miles away.

These setbacks were more than compensated by the rise in its business since 9/11, a 26% rise in stock prices

and an increase in the backlog of its main military division to \$12.3 billion by the end of 2001. In 2002, it received a \$1.2 billion multi-year contract for over 200 T-6A training aircraft – despite serious criticism of the T-6A from Pentagon's Office of Independent Testing and Evaluation. The firm's \$100 million per year revenue loss (from the NAD cancellation) was softened by a Pentagon announcement that top NAD contractors (Raytheon, TRW, Orbital Sciences and Loral Space) would split \$300 million in termination fees.

Big Guns, Big Money

Raytheon is a major player in industry trade and lobbying associations. The company's CEO emeritus Dennis Picard is president emeritus of the American Institute for Aeronautics and Astronautics. Raytheon personnel have been key players at the Aerospace Industries Association, leading committees on lucrative issues such as establishing greater Pentagon subsidies for weapons exports. The firm has such "heavy hitters" on its board, as former CIA Director John Deutch, former NATO Supreme Commander General John Galvin (Retired), and former New Hampshire Senator Warren Rudman, who was also a Raytheon consultant.

As well as lobbying at the federal level, Raytheon has pioneered in squeezing tax breaks out of state and local governments. In 1995, it threatened to leave Massachusetts if the state failed to pass a bill drastically reducing taxes. In exchange, Raytheon pledged to keep 90% of their payroll and property levels in the state. It has since laid off thousands, but claims to be in compliance with the 1995 law.

Civilian Business

Civilian business lines include construction, transportation, data processing and civil aviation. In recent years, government contracts – mostly with the Department of Defense (DoD) – have accounted for between 66% to 72% of the company's business.

Sources: the *Wall Street Journal*, *New York Times* and *Boston Globe*; DoD contracts and official Raytheon documents, including annual reports and its web site <www.raytheon.com>.