



## COMPANY HISTORY AND PRODUCTS

Raytheon is the third largest defense contractor in the United States, behind Lockheed Martin and Boeing. The Massachusetts-based conglomerate received more than \$6.3 billion in Pentagon contracts in FY 2000, accounting for over 37% of the firm's \$16 billion in revenues.

By its own accounting, the company is involved in over 4,000 weapons programs. As Tom Culligan, Raytheon VP for Business Development, put it, "As a top tier defense electronics company, our forte is to be a provider to major platform manufacturers, which means you see Raytheon's brand name everywhere – from tanks and rifles to ships, aircraft and UAVs [unmanned aerial vehicles]."

## THE DIRT THEY MAKE

Raytheon's best-known product is probably the Patriot air defense missile, which received massive publicity during the 1991 Gulf conflict when it was used to defend against Iraqi Scud missiles.

Analyses performed after the conflict by Dr. Theodore Postol of MIT and the Israeli military indicated that the Patriots were far less accurate than U.S. officials had originally claimed, and that in fact they had missed their targets more often than not.

Another high visibility system produced by Raytheon is the Tomahawk land attack missile, which company promotional materials describe as "the U.S. Navy's weapon of choice."

Other Raytheon missile systems include the AIM-65 Maverick, an air-to-surface missile which has been sold to the U.S. armed forces along with more than 20 other nations, including recent controversial offers to Thailand and the United Arab Emirates.

Raytheon also specializes in radar, surveillance, and targeting systems that are used on most U.S.-produced combat aircraft. Raytheon calls this latest line of equipment "the Terminator family of targeting systems."

The company is also a major arms exporter, with billions in overseas arms sales in the past decade to a client list that includes Israel, Egypt, Saudi Arabia, Turkey, Indonesia, Malaysia, Oman, Singapore, Greece, Taiwan and South Korea.



## RAYTHEON'S ROLE IN NUCLEAR WEAPONS & BALLISTIC MISSILE DEFENSE

Along with Boeing, Lockheed Martin, and TRW, Raytheon stands to profit the most from the Bush administration's decision to walk away from the Anti-Ballistic Missile Treaty of 1972 and move full speed ahead towards deployment of a multi-tiered missile defense system. Major Raytheon contracts in the missile defense realm include the following:

- ◆ Prime contractor for the Exoatmospheric Kill Vehicle (EKV), the component of the land-based missile defense interceptor that is designed to destroy incoming warheads in the midcourse portion of their flight path, while they are traveling through the weightless environment of space before re-entering the earth's atmosphere.
- ◆ Prime contractor for the X-band radar and Upgraded Early Warning Radar, major components of the land-based element of the missile defense program.
- ◆ System integrator for the PAC-3 system, a medium range interceptor missile based on the Patriot missile; producer of the radar system for Lockheed Martin's Theater High-Altitude Area Defense (THAAD) system;
- ◆ Prime integrator for the Navy Theater Wide program, a sea-based missile defense project based on the Standard missile;

Raytheon has had more than its share of problems in its missile defense work. Funding for the Space-Based Infrared System Low (SBIRS-Low), a satellite surveillance and targeting system that Raytheon has worked on with TRW, has been held up by Congress due to repeated cost overruns and schedule slippages. And in late 2001, the Pentagon's Missile Defense Agency (MDA) announce that it was canceling the Navy Area Defense (NAD) program, a short-range missile defense system that, like Navy Theater Wide (see above) was to use interceptors based on the Raytheon standard missile. The cancellation of the \$9 billion NAD program came shortly after a decision by the Pentagon to scale back its purchases of Raytheon's Joint Standoff Weapon system (JSOW), a precision-guided "glider" bomb designed to hit targets from as far as 40 miles away.

These setbacks for the firm's financial picture have been more than compensated for by the overall rise in



the company's business since September 11th – 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 early 2002, the firm received a \$1.2 billion multi-year contract to provide over 200 T-6A "Texan" training aircraft to the Air Force and Navy – despite criticisms just six weeks earlier by the Pentagon's Office of Independent Testing and Evaluation that there were serious performance problems in the T-6A program.

### **BIG GUNS, BIG MONEY: RAYTHEON'S CAMPAIGN SPENDING AND LOBBYING CLOUT**

Like other major weapons makers, Raytheon has made a significant "investment" in political influence and access in Washington.

Since 1996, the firm has made more than \$2.4 million in soft money and Political Action Committee (PAC) donations, ranking third in donations among major defense contractors in the run up to the year 2000 elections, the most recent cycle for which full statistics are available.

Because it has major facilities in New England, the company has traditionally had clout with key Democrats in the Massachusetts delegation. But the company's pattern of contributions in recent years has leaned heavily toward Republicans, moving from a 35% / 65% Republican/Democratic split in 1994, the year before the Republicans took control of the House of Representatives, to a 72%/28% Republican/Democratic split during the current election cycle, which culminates in the 2002 mid-term Congressional elections.

In addition to lobbying at the federal level, Raytheon has pioneered in squeezing tax breaks out of state and local governments as well.

In 1995 the company threatened to move out of the state if the Massachusetts State Legislature failed to pass a bill that drastically reduced its state tax burden in exchange for a pledge by Raytheon and other affected firms to maintain at least 90 percent of their payroll and property levels in the state as they existed on January 1, 1996. The company has made thousands of layoffs since, but claims to still be in compliance with the 1995 law.



### **CIVILIAN BUSINESS AND LOCATION OF MAJOR FACILITIES**

Raytheon has significant civilian business lines in construction, transportation, data processing (including processing student loan payments), and civil aviation (through its ownership of Beech Aircraft of Wichita, Kansas). But in recent years, government contracts – mostly with the Department of Defense – have accounted for between 66 and 72% of the company's business, which no doubt explains why it puts so much emphasis on developing lobbying power in Washington.



### **SOURCES:**

- ◆ Company website, [www.raytheon.com](http://www.raytheon.com)

