

Turkey, and a vibrant intellectual exchange between Turkish and Israeli universities.

No other Muslim society rivals Turkey's record regarding the Jews; in fact, few societies of any type anywhere in the world do. I congratulate my dear friend former Ambassador Baki Ilkin, who so strongly supported this documentary project, and my dear friend the current Turkish ambassador Faruk Logoglu. I strongly commend all those associated with the film "Desperate Hours" for helping to elucidate and publicize one of the most important chapters in the long, dramatic, and mutually rewarding history shared by the Jewish and Turkish peoples.

PERSONAL EXPLANATION

HON. JAMES H. MALONEY

OF CONNECTICUT

IN THE HOUSE OF REPRESENTATIVES

Monday, May 20, 2002

Mr. MALONEY of Connecticut. Mr. Speaker, on May 16, 2002, I was absent for rollcall Vote No. 167. Had I been present, I would have voted "yea" on rollcall No. 167.

CONGRESS SHOULD CLOSE THE LOOPHOLE ON CORPORATE TAX DODGING

HON. GEORGE MILLER

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Monday, May 20, 2002

Mr. GEORGE MILLER of California. Mr. Speaker, I believe most taxpayers will share my deep concern at the ongoing practice of American corporations reincorporating offshore to avoid their tax responsibilities to state and federal taxpayers.

Several months ago, the New York Times broke the story that more and more American companies are avoiding U.S. corporate income taxes by reincorporating in tax havens like Bermuda and the Cayman Islands. This means they can keep their headquarters and all of their operations in the United States, continue to benefit from the "Made in the USA" label, but also pay a small fee to maintain a mail drop in another country (like Bermuda) and dodge tens of millions of dollars in U.S. taxes.

By dodging their tax responsibilities, these companies claim they are acting in the best interests of their shareholders. But now it turns out that even their investors—like taxpayers—are getting the short end of the stick.

Now the New York Times reports today that "the government's loss in taxes is the chief executives' gain." I am inserting for my colleagues a complete copy of today's article.

Top executives at Connecticut-based Stanley Works, for example, win take home up to fifty-eight cents for every dollar the company avoids in taxes. These executives will reap millions of dollars through huge bonuses and stock option windfalls, leaving workers, shareholders, and the rest of taxpaying America to pay the bill.

Today's article provides further justification for bringing to a vote in the House a bill by my colleagues JIM MALONEY of Connecticut and RICHARD NEAL of Massachusetts—the Cor-

porate Patriot Enforcement Act of 2002. There is no reason for Republican leaders to deny Congress—and the American people—the opportunity to correct this gross injustice.

We don't need a temporary prohibition to this practice, as some are suggesting. We need to end it immediately. If Stanley Works and other companies are indeed proud to be American companies, they should stay American—in both practice and in name and pay their fair share for the benefits of being an American company.

[From the New York Times, May 20, 2002]

OFFICERS MAY GAIN MORE THAN INVESTORS IN MOVE TO BERMUDA

(By David Cay Johnston)

The parade of companies that in recent months have proposed incorporating in Bermuda to reduce their American taxes usually provide the same rationale. They are doing it, they say, to increase their profits and, in turn, to benefit their shareholders.

But left unsaid is another fact: the biggest beneficiaries could actually be the chief executives of these companies. At a minimum, these executives could pocket millions in additional pay. In some cases, they could well take home extra pay equal to half the company's tax savings or more. In effect, the government's loss in taxes is the chief executives' gain, in the form of higher pay, bonuses and profits on the sale of stock options.

While each company's Bermuda strategy differs in details, chief executives always profit because their compensation is based partly on the profitability of the company or its stock price. If taxes fall, both would be expected to rise.

But, in some cases, like that of Stanley Works, other shareholders may not fare nearly so well, because many would owe taxes that the chief executive does not.

Eugene M. Isenberg, of Nabors Industries; John M. Trani, of Stanley Works; H. John Riley Jr., of Cooper Industries; Herbert L. Henkel, of Ingersoll-Rand; and Bernard J. Duroc-Danner of Weatherford International are among the chief executives who stand to benefit.

At Nabors Industries of Houston, the world's largest operator of land-based oil drilling rigs, Mr. Isenberg could see his pay rise by tens of millions of dollars each year if shareholders approve on June 14 his plan to incorporate in Bermuda and establish the company's legal residency in Barbados, said Brian Foley, an executive compensation lawyer who analyzed Mr. Isenberg's employment contract.

Mr. Isenberg is already well paid. Over the past two years, he made more than \$126 million, including profits from the sale of stock options, from a company with \$2 billion in annual revenues. That is partly because his contract pays him 6 percent of the company's cash flow—a measure of profits before certain charges are subtracted—once cash flow exceeds a certain amount. The company's No. 2 executive gets 2 percent of this cash flow.

The company expects the Bermuda move to increase cash flow significantly. Mr. Foley and five other compensation lawyers said that beginning in the year after the Bermuda move, the related payments to Mr. Isenberg and his deputy also should begin rising.

What is more, Mr. Foley said, details of the Nabors stock option plan indicate that Mr. Isenberg will make an additional \$100 million on the exercise of his 10.3 million options of Nabors shares, currently at \$42.99, rise by \$9.72. The company has said that lower taxes and higher cash flow should increase share prices, but has not said by how much.

Mr. Isenberg owns 1.1 million shares outright, but it is not known how many of these are in retirement and charitable accounts, which would shield his gains from taxes. Mr. Isenberg declined to comment, as did a spokesman for the company.

At Stanley Works, the New Britain, Conn., tool maker, Mr. Trani stands to pocket an amount equal to 58 cents of each dollar the company would save in corporate income taxes in the first year after its proposed move to Bermuda.

Mr. Trani has estimated that, as a result of the tax savings alone, the company's stock should rise 11.5 percent. Corporate income taxes would fall \$30 million annually, while the value of his existing options would increase \$17.5 million if the stock rises as much as he expects.

In a presentation to Wall Street analysts, Mr. Trani estimated that 60 percent of Stanley shares are held in retirement and charitable accounts where no tax will be due. Investors holding Stanley shares in taxable accounts, however, would suffer losses during that first year. They would have to pay \$150 million in capital gains taxes, he estimated, on holdings worth \$1.6 billion, so the deal can go through. Even if their shares rise 11.5 percent, they will barely break even after taxes.

At the time of the move, Mr. Trani, however, would owe less than \$50,000, less than he earns each week in salary and bonuses, on his 16,688 shares where the gains are taxable. The rest of his holdings are in options and retirement accounts, neither of them taxable in the move. Mr. Trani has campaigned hard for the Bermuda vote, personally calling pension fund trustees and having executives call Stanley employees at home.

Mr. Trani, in an interview, said that, to avoid any taxes, he might give his taxable holdings to charity. He would then be able to reduce his federal income taxes by about \$300,000.

Mr. Trani has said that building wealth for all shareholders is his only motive in proposing the move to Bermuda.

The move is more likely to greatly benefit Stanley shareholders over the longer run, which is how Mr. Trani prefers to look at it. If the move to Bermuda doubles the company's stock price in eight years—a prospect that the company has no quarrel with—all shareholders will increase their wealth by about \$3.3 billion. The government will lose \$240 million of corporate income taxes.

Such an increase would no doubt mean a bigger salary and bonus for Mr. Trani. In addition, if he receives all the additional options he is eligible for under the company's current plan, he could gain at least \$385 million from exercising those options, or far more than the taxes the company would save.

On May 9, Stanley shareholders approved the Bermuda move by the slimmest of margins. But after union officials accused the company of rigging the outcome, and the state of Connecticut sued to throw the election out, the company announced a new election to be held later this year. The company denied any wrongdoing.

Spokesmen for Cooper Industries, Ingersoll-Rand and Weatherford International all said that increased pay for executives was the inevitable result of packages that reward executives for lowering costs, including taxes, and increasing share prices. John Breed, the Cooper spokesman, noted that none of the company's executives received bonuses last year.

Simply by changing their corporate addresses to Bermuda, which has no income tax, a growing number of large American businesses are saving tens of millions each in United States taxes on profits made overseas. Also establishing a separate legal residence in another tax haven, like Barbados,

allows companies to save on taxes on their United States profits as well.

By reducing their tax bills, companies can increase their profits and better compete against rivals both in the United States and abroad. Many American companies assert that some profits are taxed twice, at home and abroad, putting them at an unfair disadvantage against rivals in countries abroad with lower or no taxes.

But the corporate flight from taxes has raised concerns among some members of both parties in Congress. Bipartisan legislation to block such moves has been proposed, but House Republican leaders have refused to allow it to reach a vote.

Congress permits companies to move their headquarters outside the United States, but it requires shareholders to pay taxes on capital gains earned until that time. These taxes can be paid by the company or by the shareholders. The Stanley board decided that shareholders should foot the bill.

NATIONAL DEFENSE AUTHORIZATION ACT

HON. PETER A. DeFAZIO

OF OREGON

IN THE HOUSE OF REPRESENTATIVES

Monday, May 20, 2002

Mr. DeFAZIO. Mr. Speaker, over the next few days, I will be taking time to comment on legislation recently approved by the House of Representatives, H.R. 4546, the fiscal year 2003 National Defense Authorization Act.

I voted against this legislation because it perpetuates the misguided spending priorities and lack of accountability that is ingrained at the Pentagon.

In my upcoming series of floor statements, I will be outlining some of the reasons I opposed this bill. I will also be describing several common sense amendments I drafted to H.R. 4546 that were blocked from consideration on the floor by the House Rules Committee.

Before I get into some of specific reasons why I opposed this bill, I wanted to mention a few of the provisions I felt are worthwhile.

I am pleased H.R. 4546 continues the effort begun a few years ago to improve the pay and benefits for our men and women in uniform. This legislation includes a 4.1 percent pay raise, with other targeted raises of 6.5 percent for mid-grade and senior noncommissioned officers and mid-grade officers.

The bill also reduces out-of-pocket housing costs for military personnel by increasing housing allowances to cover 92.5 percent of all housing costs. The ultimate goal is to eliminate out-of-pocket expenses by 2005.

The bill extends the practice of authorizing special pay and bonus incentives for key personnel. These incentives will also be extended to National Guard and Reserve members.

H.R. 4546 also includes long overdue provisions to assist military retirees. For example, for individuals with a disability rating of at least 60 percent, the bill would eliminate the requirement that retirement pay be reduced by an amount equal to any disability compensation received through the Department of Veterans Affairs. Congress should now work toward repealing the disability compensation offset for all veterans.

Important enhancements to TRICARE were also included in the bill.

I was pleased these quality-of-life improvements for active duty and retired personnel

were proposed. I have consistently worked throughout my congressional career to ensure our military men and women are not forgotten in military budget debates. After all, having adequately compensated, fed, and trained troops is arguably more important to our national security than gold-plated weapons systems.

Unfortunately, these worthy provisions were heavily outweighed by the many problems in the rest of the bill.

The problems with the bill include the gag rule under which it was brought to the floor.

There were more than 80 amendments submitted to the Rules Committee for the defense authorization bill. Only 25 were allowed on the House floor. Of those 25, around half were noncontroversial amendments that were eventually rolled into a manager's amendment.

What would be the harm in providing 10 minutes of debate on all of the amendments submitted to the Rules Committee? That would allow approximately six amendments to be debated per hour, which would mean it would take 2–3 days to finish the bill, assuming we actually would work a full day. Is that really too much to ask—that we should have 2–3 days to debate Pentagon spending which, after all, accounts for \$1 of every \$2 available to Congress for discretionary spending?

This House used to debate the defense authorization bill for a week or more at a time. Apparently, the Rules Committee believes that Congress doesn't have the right to debate Pentagon priorities during a time of war. Stifling debate does a disservice to the American people and does not constitute national security readiness for our country.

Under the gag rule on H.R. 4546, Congress was authorizing \$833 million in spending for the Pentagon for every minute of debate. It was an expensive debate, but not an extensive debate.

So what type of issues did the Rules Committee and the House Republican leadership believe the American people did not deserve to have a debate about?

I offered five amendments questioning the merits of weapons systems like the Crusader artillery system, the Comanche helicopter, and the F–22 fighter jet. I also offered an important amendment with Representative RON PAUL to reinforce Congress' constitutional prerogatives relating to war.

The Rules Committee blocked all of these amendments from even being debated on the House floor.

Since the Rules Committee wouldn't allow a debate during floor consideration of the bill, over the next several days, I will take time on the House floor to explain my amendments and why the House should have adopted them.

Two of my amendments were offered on behalf of Secretary Rumsfeld to help him carry out his stated intention of terminating the unjustifiable \$11 billion Crusader artillery system.

Even President Bush has lambasted the program. During the campaign, when asked for an example of a wasteful Pentagon program that would be sacrificed in the name of military transformation, he said, "I'll give you an example—the Crusader Howitzer program. It looks like it's too heavy, it's not lethal enough."

Even soldiers on the front line know the Crusader is a turkey. I recently met the father of an Army artillery soldier. I asked him what

his son thought of the Crusader. He said his son considered it "a joke."

Despite universal support among independent military analysts as varied as the CATO Institute, the Center for Defense Information, and the Center for Strategic and Budgetary Assessments for terminating the Crusader, some powerful Members of Congress have decided that they know best and included nearly half a billion dollars for the Crusader in H.R. 4546 as well as report language prohibiting the cancellation of this ridiculous program.

My amendments sought to overturn this misguided effort to keep the Crusader program.

One of my amendments would have cut the \$475.2 million from the Army's research, development, test and evaluation account that was provided by the House Armed Services Committee for the Crusader.

My other Crusader-related amendment would have prohibited the funds in H.R. 4546 from being spent on the Crusader program until the Secretary of Defense submitted a report to Congress certifying his continued support for the program as well as an analysis of a number of problematic aspects of the Crusader program.

Proponents of the Crusader claim it is faster and can fire farther than the system it's replacing, the Paladin. The Army even faxed talking points to some select members of the House Armed Services Committee with the disingenuous, outrageous claim that U.S. soldiers would be killed if the Crusader program was cancelled.

The Crusader is essentially a computer simulation. I think there have been a few laboratory tests. But, make no mistake, the Crusader essentially doesn't exist. It's still on the drawing board. It's not scheduled for deployment until 2008. For the Army to make the claim that terminating the continued development of a computer simulated artillery system threatens the lives of U.S. soldiers is pathetic and misleading, to say the least.

So, what's wrong with the Crusader? In short, everything.

Let's start with the mission. Planning for the Crusader began after the Gulf War when the Army discovered the Paladin system had trouble keeping up with our tanks and fighting vehicles. But, the Crusader's mission—blowing holes in massive lines of approaching soldiers—is irrelevant to the real world threats we face. The Soviet Union doesn't exist. There are not going to be lines of communist troops marching across the plains of Europe.

Further, in Kosovo and Afghanistan, the two largest post-Gulf War military engagements, it became clear that aircraft with smart bombs and, in Afghanistan, on-the-ground human spotters, can effectively take out enemy positions just as effectively as any artillery system. In fact, probably more effectively since the Crusader would likely have trouble negotiating tough terrain like that found in Afghanistan.

Besides, the Army is already developing the Future Combat Systems (FCS), a portion of which has the same artillery mission and deployment date—2008—as the Crusader. So, as the Crusader is being deployed, it is immediately made obsolete by its more high-tech successor, the FCS.

The Crusader also has a number of technical problems.

A June 1997 GAO report found the cannon cannot fire if the automated loading system fails. There is no manual backup system.