

**TESTIMONY OF
HANK TESKEY
DIRECTOR OF TAXES
ELECTRIC BOAT CORPORATION
SUBMITTED TO THE
FINANCE, REVENUE AND BONDING COMMITTEE
MARCH 22, 2010
LEGISLATIVE OFFICE BUILDING
HARTFORD, CONNECTICUT**

SB-485 AN ACT CONCERNING TAX FAIRNESS

Senator Eileen Daily, Co-Chair
Representative Cameron Staples, Co-Chair
Finance, Revenue and Bonding Committee

Dear Committee Members,

Our economy is in crisis, and while government is taking the responsibility to address the problems that we face, I urge you to consider carefully the impact that any action might have on the business community, which creates the jobs and the income that represent a long-term solution to the adversity that we face today.

For more than 100 years, Electric Boat Corporation in Groton, Conn., has been designing, constructing and maintaining submarines for the United States Navy. Over that period of time, Electric Boat has played a critical role in the defense of this nation as well as a critical role in the economy of our state. Electric Boat employs more than 7,500 people in Connecticut. In addition, Electric Boat has hundreds of suppliers that employ thousands more. These high-quality, high-paying jobs are needed now more than ever in the State of Connecticut.

In the defense industry today, the equation is fairly simple: the more value we provide to our customer, the more work we get. More work means more jobs.

In 2005, the then-Chief of Naval Operations, Admiral Michael Mullen, acknowledged that the Navy needed more submarines, but said the Navy could not procure two submarines per year unless we could reduce the cost to \$2 billion per copy in 2005 dollars. At the time, submarines were \$2.4 billion each. Over the next four years, Electric Boat and the U.S. Navy embarked on aggressive cost control initiatives that included redesigning these complex ships, scrutinizing our manufacturing processes for possible improvements and eliminating waste.

Through these innovative ship design changes, numerous process improvements and good old-fashioned hard work, we demonstrated we could produce these ships for \$2 billion in 2005 dollars, and last year the Navy rewarded that effort by doubling production to two submarines per year beginning in 2011.

Today, there is a tax bill before you that would significantly increase the cost of doing business in Connecticut. **RAISED BILL 485 AN ACT CONCERNING TAX FAIRNESS** imposes a mandatory combined filing requirement on companies with multiple businesses and subsidiaries. This is a wholesale structural change to the Connecticut corporate taxation system and the ultimate result is highly uncertain. This proposed combined reporting will introduce unnecessary complexity and volatility into our tax system at a time when the business climate is eroding nationwide and companies are looking for states where the cost of doing business is not prohibitive.

Electric Boat is one of the last large, high-technology manufacturers left in Connecticut. Recently, we signed a contract to build Block III Virginia Class Submarines, eight ships to be ordered from Electric Boat and Northrop Grumman Shipbuilding over the next five years that will keep thousands of Connecticut people working for a decade, and the effect of their incomes would multiply throughout the economy.

It is clear that defense spending, indeed all government spending, will be under intense scrutiny and at risk of significant cutbacks in coming years. These risks increase if we cannot deliver at our promised price. State economic conditions that affect our ability to deliver our product and services at the price we agreed upon could raise questions regarding submarine production in Connecticut.

We urge you to **reject RAISED BILL 485**, to do no harm to businesses in Connecticut, and to work with our business community to encourage the economic development that will create jobs for Connecticut families.

Thank you for the opportunity to submit this testimony.