
October 1995

DEFENSE CONTRACTORS

Pay, Benefits, and Restructuring During Defense Downsizing





United States
General Accounting Office
Washington, D.C. 20548

National Security and
International Affairs Division

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October 10, 1995

The Honorable Floyd D. Spence
Chairman
The Honorable Ronald V. Dellums
Ranking Minority Member
Committee on National Security
House of Representatives

The Honorable Jack Reed
House of Representatives

In response to your request, we have developed information on (1) the compensation provided to executives and employees of the top 10 defense contractors and the amounts executives realized through the exercise of stock options, (2) the nature and extent of restructuring efforts due to defense downsizing, and (3) the assistance provided to workers being separated as a result of defense contractor downsizing.

Results in Brief

Compensation and Value of Stock Options Exercised

For 1989 through 1994, we examined the salary, bonus, and other cash payout received by the 5 highest paid executives at each of 10 defense companies. We also examined the net value realized from the executives' exercise of stock options. The stock options may have been provided to them in prior years. The salary, bonus, and other cash payout paid to these executives ranged from about \$230,000 in 1989 to \$17.92 million in 1993. The net realized value of exercised stock options for the top five executives varied greatly. In most cases, at least one of the executives at each company did not exercise stock options in a given year. For those times when stock options were exercised, the amount realized ranged from about \$27,000 to \$26 million.

In 1989, the average annual compensation paid by different defense contractors to salaried employees (as reported by 6 out of the 10 companies) ranged from \$35,900 to \$48,700. By 1994, the figures had increased to \$48,100 and \$55,000, respectively. In 1989, the average annual compensation for hourly employees ranged from \$24,700 to \$35,200, and in 1994 these figures ranged from \$30,200 to \$39,500.

Restructuring Strategies and Commercial Use of Military Technology

The restructuring strategies companies have used to adjust to the decreases in Department of Defense (DOD) procurement have included, to varying degrees, the following:

- acquiring and/or merging with competitors,
- divesting themselves of units no longer considered to be part of their core business,
- consolidating production facilities to reduce excess capacity, and
- commercializing military technologies.

Assistance to Separated Employees

The categories of assistance usually available to all separated employees consist of

- termination pay based upon salary level and length of service;
- outplacement services such as job counseling, help on resume writing, interviewing techniques, and listings of job opportunities; and
- extension of employee health, dental, and insurance benefits for a time period after separation.

Nine out of the 10 companies we surveyed provided incentives to encourage voluntary separation. The incentives usually included a combination of

- years added to age and length of service computations to give the employee a higher retirement annuity,
- continued medical insurance benefits, and
- cash buyout.

Agency Comments

In commenting on a draft of this report, DOD indicated that (1) DOD's share of a contractor's total sales does not necessarily represent the percentage of compensation costs charged to DOD contracts; (2) significant portions of an executive's compensation paid and claimed by the contractor may not be allowable under government laws and regulations, contract terms, and advance agreements; and (3) any compensation based on increases in the price of corporate securities is unallowable and not recoverable against DOD contracts, nor are any amounts determined to be unreasonable.

The Aerospace Industries Association of America, Inc. (AIA), in commenting on our draft as the representative for the companies involved

in our review, stated that the information we presented was fair and objective.

Scope and Methodology

For our study, we selected the top 10 defense contractors (see app. I for the list of contractors) awarded DOD contracts in 1993 where the value of the contracts was equal to at least one-third of each company's total sales in 1993. We reviewed, for the period 1989 to 1994, data on executive compensation and stock options exercised, data on employee compensation, restructuring strategies, and assistance to separated employees at these contractors. The data on executive compensation and stock options exercised is that of the top five executives of the corporations as reported in the companies' annual proxy statements that are publicly available. In response to our requests, each of the companies provided data on employee compensation, corporate restructuring efforts, and assistance to separated employees. We did not independently verify this data. Our work on this assignment also included visits to some of these companies and discussions with AIA officials. We performed the work from August 1994 through August 1995.

Unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from its issue date. At that time, we will send copies of this report to the Secretary of Defense, DOD Inspector General, Defense Contract Audit Agency, and officials of the AIA. We will also make copies available to others upon request.

Please contact me on (202) 512-4587 if you or your staff have any questions regarding this report. Major contributors to this briefing report were Charles F. Rey, Gordon W. Lusby, Frederick E. Lundgren, and Allen D. Westheimer.



David E. Cooper
Director, Acquisition Policy, Technology,
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Abbreviations

AIA	Aerospace Industries Association of America, Inc.
DOD	Department of Defense
GAO	General Accounting Office
SEC	Securities and Exchange Commission

Information on Executive and Employee Compensation at Top 10 Defense Contractors

GAO Executive Compensation Elements

- Salary
 - Bonus
 - Other compensation
 - Cash equivalent
 - Stock options
-

**Briefing Section I
Information on Executive and Employee
Compensation at Top 10 Defense
Contractors**

The three major elements of a typical executive compensation package are salary, annual bonus plans, and other compensation arrangements. Typically, a company's compensation committee (composed of members of the Board of Directors) determines the amount and form of executive compensation to be awarded each year. In general, this committee considers such factors as company performance indicators or goals, historical practices, and the current competitive environment (the compensation practices of the marketplace). Salary is typically established by determining the value of the executive's duties and comparing it to salaries paid to similar executives of similar firms. An executive's bonus is usually based on a comparison of the goals set for the executive to the actual performance achieved by the company for the time period being evaluated. Other compensation may include the cash value of perquisites such as life insurance, club memberships, and relocation reimbursements. Executives may also receive various types of stock awards, including stock options, stock appreciation rights, and restricted stock. However, we did not determine the present value of unexercised stock awards or the total number of shares executives held. We are reporting the net realized value of stock options exercised during a particular fiscal year. The stock options may have been awarded in previous years.

The Securities and Exchange Commission (SEC) changed its compensation reporting requirements during the period being evaluated. For 1989 through 1992, it required corporations to report compensation for their top five executives as a single amount that included base salary, bonus, and other compensation. In October 1992, the SEC issued new rules that required proxy statements to provide a more detailed, 3-year history of compensation for the five most highly paid executives earning more than \$100,000 annually in salaries and bonuses. The SEC also required firms to report estimates of the value of stock options and stock appreciation rights granted.

GAO Range of Salary, Bonus, and Other Compensation for Top Five Executives

Dollars in millions

Company	1989	1990	1991	1992	1993	1994
McDonnell Douglas	\$0.23 - \$0.63	\$0.35 - \$0.58	\$0.49 - \$0.85	\$0.41 - \$0.72	\$0.63 - \$1.09	\$0.99 - \$1.65
Lockheed	0.34 - 0.76	0.41 - 1.08	0.49 - 1.31	0.56 - 1.48	0.60 - 1.65	0.77 - 2.17
Martin Marietta	0.41 - 1.03	0.40 - 1.12	0.43 - 1.26	0.49 - 1.40	0.53 - 1.65	0.73 - 1.87
Raytheon	0.49 - 1.22	0.50 - 1.34	0.53 - 1.22	0.56 - 1.39	0.55 - 1.75	0.59 - 1.85
Northrop	0.24 - 0.80	0.43 - 1.13	0.40 - 1.26	0.40 - 1.16	0.37 - 1.13	0.61 - 1.61
General Dynamics	0.46 - 1.20	0.50 - 1.05	0.53 - 4.45	1.75 - 7.90	5.53 - 17.92	0.48 - 2.75
Loral	0.41 - 1.74	0.48 - 3.21	0.64 - 2.98	0.64 - 5.82	0.63 - 4.47	0.65 - 4.59
Grumman	0.23 - 0.56	0.26 - 0.44	0.27 - 0.60	0.35 - 0.77	Not available	Acquired by Northrop
Litton	0.53 - 1.11	0.61 - 1.34	0.53 - 1.41	0.57 - 1.59	0.60 - 1.94	0.62 - 1.20
E-Systems	0.40 - 0.75	0.43 - 0.88	0.37 - 0.96	0.45 - 0.97	0.46 - 1.01	0.47 - 0.91

**Briefing Section I
Information on Executive and Employee
Compensation at Top 10 Defense
Contractors**

The table shows the range (lowest and highest) of annual executive salary, bonus, and other types of cash or equivalent compensation at all 10 companies for their top 5 executives for the period 1989 to 1994. The lowest amount received by any of the top 5 executives at the 10 defense contractors we examined was about \$230,000 paid in 1989. In turn, the highest amount received was about \$17.92 million in 1993. More detailed information is available in appendix IV.

GAO Range of Net Value of Exercised Stock Options for Top Five Executives

Dollars in thousands

Company	1989	1990	1991	1992	1993	1994
McDonnell Douglas	\$0 - \$534	None	None	None	\$0 - \$1,635	None
Lockheed	0 - 27	None	None	\$0 - \$417	0 - 1,300	\$0 - \$198
Martin Marietta	0 - 381	\$104 - \$348	\$436 - \$2,681	82 - 465	272 - 794	0 - 1,098
Raytheon	0 - 918	0 - 1,826	0 - 238	0 - 843	188 - 1,783	0 - 822
Northrop	None	None	None	0 - 975	None	0 - 423
General Dynamics	None	0 - 153	None	2,968 - 21,166	None	0 - 8,533
Loral	0 - 285	0 - 131	0 - 380	0 - 7,085	0 - 25,989	0 - 769
Grumman	None	None	0 - 4	None	Not available	Acquired by Northrop
Litton	0 - 667	0 - 1,271	0 - 457	0 - 235	0 - 5,263	0 - 3,569
E-Systems	0 - 68	None	0 - 242	0 - 63	0 - 1,625	0 - 187

**Briefing Section I
Information on Executive and Employee
Compensation at Top 10 Defense
Contractors**

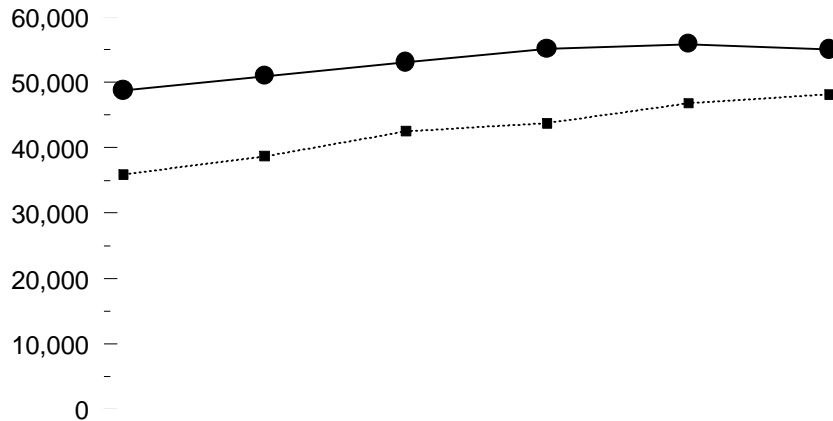
The table shows the range (the smallest and largest amount) of net realized value of stock options exercised in the year by the top 5 executives at all 10 companies for the period 1989 through 1994. The approximate largest amount realized in each of the years is as follows:

- 1989 \$918,000,
- 1990 \$1,826,000,
- 1991 \$2,681,000,
- 1992 \$21,166,000,
- 1993 \$25,989,000, and
- 1994 \$8,533,000.

In most of the cases during 1989 through 1994, at least one executive at each company did not exercise stock options during a fiscal year. In addition, for almost one-third of the time none of the executives exercised any stock options at the companies we examined. More detailed information is available in appendix V.

GAO Highest and Lowest Average Annual Compensation of Salaried Employees

Actual dollars



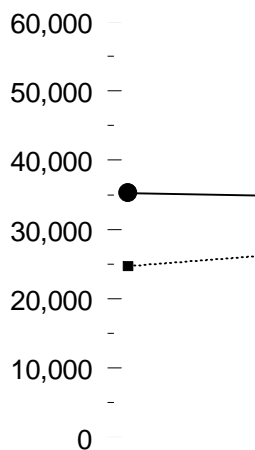
Year	1989	1990	1991	1992	1993	1994
Highest paid ●	48,700	50,900	53,000	55,100	55,800	55,000
Lowest paid ■	35,900	38,700	42,500	43,700	46,800	48,100

Note: Data reported by 6 out of the 10 companies for 1989-93 and 4 companies for 1994.

The chart represents the range of average annual compensation for salaried employees at the companies that reported data. The company with the lowest average employee annual salary in 1989 reported the amount of compensation at \$35,900. The company with the highest average annual salary in 1989 reported an amount of \$48,700. In 1994, the figures were \$48,100 and \$55,000, respectively.

GAO Highest and Lowest Average Annual Compensation of Hourly Employees

Actual dollars



Year	1989	1990	1991	1992	1993	1994
Highest paid ●	35,200	34,900	39,500	38,700	42,700	39,500
Lowest paid ■	24,700	26,300	27,500	28,700	30,200	30,200

Note: Data reported by 6 out of the 10 companies for 1989-93 and 4 companies for 1994.

The chart represents the range of average annual wages for hourly employees at the companies that reported data. The company with the lowest average employee annual wages in 1989 reported the amount of compensation at \$24,700. The company with the highest average annual wages in 1989 reported an amount of \$35,200. In 1994, the figures were \$30,200 and \$39,500, respectively.

Information on Restructuring Strategies at Top 10 Defense Contractors

GAO Restructuring Strategies at Top 10 Defense Contractors

- Acquisition and merger
 - Divestiture
 - Consolidation
 - Commercial use of military technology
-

**Briefing Section II
Information on Restructuring Strategies at
Top 10 Defense Contractors**

With the end of the Cold War starting in the late 1980s, defense contractors have generally faced a declining demand for their defense products. As government defense contracts were completed, defense contractors found that new orders were smaller or nonexistent and in general, they needed to make adjustments to restructure, convert, consolidate, and/or eliminate excess production capacity.

We found that the restructuring strategies companies have used to adjust to the decreases in DOD procurement have included, to varying degrees, (1) acquisition and/or merger with competitors, (2) divestiture of units no longer considered to be part of the core business, (3) consolidation of production facilities to reduce excess capacity, and (4) commercialization of military technologies.

GAO Acquisitions and Mergers, 1994-95

**Mergers and acquisitions within the
U.S. defense industry**

Buyer	Unit acquired
Loral	Unisys Defense Group
Martin Marietta	Lockheed
Northrop	Grumman
Loral	IBM Federal Systems
Martin Marietta	General Dynamics Space Systems
Northrop	Carlyle Group Vought Aircraft
Litton	Teledyne Electronic Systems

GAO Acquisitions and Mergers, 1989-93

Other major defense industry mergers and acquisitions

Buyer	Unit acquired
Lockheed	General Dynamics Aircraft Division
Raytheon	British Aerospace Corporate Jets
Martin Marietta	GE Aerospace
Loral	LTV Missiles Division
GM Hughes	General Dynamics Missiles Division
Textron	General Dynamics Cessna Aircraft
Northrop/Carlyle	LTV Vought Aircraft
Loral	Ford Aerospace

Of the 10 companies we reviewed, 8 have participated in a major acquisition or merger event between 1989 and 1995. Some of these companies participated in several separate acquisition events.

GAO Major Divestitures

Company	Division divested	Year of event
General Dynamics	Missile	1992
	Cessna Aircraft	1992
	Tactical Military Aircraft	1993
	Space Launch Systems	1994
Litton Industries	Western Atlas	1994

Note: Data as reported by the companies.

Two companies have used the strategy of divestiture. One sold some of its defense business units. The other split its organization into two separate companies, one primarily commercial, the other primarily defense.

GAO Examples of Consolidation Efforts,
1989-94

General Dynamics

Consolidation of facilities of the
Pomona Division

Northrop

Consolidation of Electronics and
Electro-Mechanical Division

Raytheon

Consolidation of Missile Systems
Division as well as Equipment and
Electromagnetic Systems Division
into one Electronic Systems Division

Based upon the information provided, some of the companies have undergone a form of consolidation. This strategy may involve consolidating any or a combination of (1) business units, (2) management layers, and (3) organizational activities or functions.

GAO Commercial Use of Military Technology

Lockheed	Commercial satellite program
Martin Marietta	Air traffic control systems
Raytheon	Environmental monitoring system
Northrop	Advanced Technology Prototype Bus

GAO Commercial Use of Military Technology
(cont.)

Loral	Medical diagnostic imaging support system
Litton	Commercial double hull tankers
E-Systems	Data storage systems

The chart represents examples of efforts at the some of the top 10 contractors to find commercial uses for military technologies they have developed. The list is not comprehensive. These companies may have additional examples, and companies not shown may also have examples.

Information on Assistance to Separated Employees at Top 10 Defense Contractors

GAO Assistance Available to Separated Salaried and Hourly Employees

- Termination pay
 - Outplacement services
 - Other additional benefits
 - Incentives for voluntary separation
-

**Briefing Section III
Information on Assistance to Separated
Employees at Top 10 Defense Contractors**

Sharp reductions in defense expenditures have led to significant downsizing of defense contractors and resulted in substantial reductions in defense-related employment. Overall defense spending and employment peaked in the mid-to-late 1980s and have steadily declined since then. The most dramatic spending drops, and those that have most directly affected the defense industry, have been in the procurement accounts. Total defense-related employment at its peak in 1987 was about 7 million workers and has declined to an estimated 4.8 million in 1995. The Department of Labor estimates that defense industry employment will continue to decrease for the next 2 years.

The top 10 defense contractors we reviewed reported a total of about 188,000 employees being either voluntarily or involuntarily separated between 1989 and 1994. At these companies, separations of employees ranged from less than 2,000 to over 51,000. While data is limited on the number of voluntary or involuntary separations, available information indicates that a substantial percentage were involuntarily separated. Insufficient data is available to determine a breakdown of separations of executives or salaried and hourly employees.

The following figures describe the types of assistance those top 10 defense contractors provide to either voluntarily or involuntarily separated salaried and hourly employees. Data was not available on assistance provided to executives. Voluntarily separated employees typically received incentives to leave a company. Involuntarily separated employees are those who were laid off.

GAO Examples of Termination Pay for
Involuntarily Separated Employees

- Salaried employees--ranged from nothing to 1 week's pay for each year of service, up to a maximum of 26 weeks
 - Hourly employees--ranged from nothing to 1 week's pay for each year of service, up to a maximum of 6 weeks
-

GAO Examples of Outplacement Services
Offered Salaried/Hourly Employees

- Federally and state funded company retraining programs
 - Job search assistance
 - Temporary work space
 - Workshops on interview skills and resume preparation
 - Access to computers, telephones, and job search library
-

GAO Examples of Benefits for Voluntarily or
Involuntarily Separated Employees

- Salaried and hourly employees
 - Medical coverage up to 1 year
 - Dental coverage up to 1 year
 - Life insurance up to 1 year
 - Retraining tuition reimbursement
 - Pay for unused vacation time
-

GAO Examples of Benefits for Voluntarily or
Involuntarily Separated Employees (cont.)

- Salaried employees
 - Short-term disability insurance coverage
 - Hourly employees
 - Rehiring priority or rights for involuntarily separated
 - Pay for unused sick leave
-

GAO Voluntary Separation Programs

- Nine out of 10 companies reported incentive programs between 1989 and 1994
 - Incentives included some combination of
 - years added to age and length of service for computing retirement annuity
 - continued medical insurance benefits
 - cash buyouts
-

GAO Examples of Voluntary Separation
Programs for Salaried Employees

- Minimum age of 59, with option of either enhanced pension or severance pay based on years of service
 - Minimum age of 55, with 1 week of severance pay for each year of service
 - Minimum age of 52, with \$400 per month supplemental benefit until age 62
-

GAO Examples of Voluntary Separation
Programs for Hourly Employees

- Minimum eligible retirement age of 55,
with severance pay
- Minimum eligible retirement age of 55,
with enhanced pension

List of Top 10 Contractors

GAO List of Top 10 Contractors in 1993 With at Least One-Third DOD Business

	Dollars in billions		
	Total sales	DOD contracts	Percent DOD
McDonnell Douglas	\$14.5	\$7.5	52
Lockheed	13.1	6.9	53
Martin Marietta	9.4	4.7	50
Raytheon	9.2	3.2	35
Northrop	5.1	3.0	59
General Dynamics	3.2	2.1	66
Loral	3.3	1.7	52
Grumman	3.2	1.7	53
Litton Industries	3.5	1.6	46
E-Systems	2.1	.8	38

Total Sales of Top 10 Defense Contractors

GAO Total Sales of Top 10 Defense Contractors, 1989-94

Dollars in billions

Company	1989	1990	1991	1992	1993	1994
McDonnell Douglas	\$13.938	\$15.497	\$18.061	\$17.365	\$14.487	\$13.176
Lockheed	9.891	9.958	9.809	10.100	13.071	13.130
Martin Marietta	5.796	6.126	6.075	5.954	9.436	9.874
Raytheon	8.796	9.268	9.274	9.058	9.201	10.166
Northrop	5.248	5.490	5.694	5.550	5.063	6.711
General Dynamics	10.043	10.173	8.751	3.472	3.187	3.058
Loral	1.187	1.274	2.127	2.882	3.335	4.009
Grumman	3.559	4.041	4.038	3.504	3.249	Acquired by Northrop
Litton	5.023	5.156	3.526	3.711	3.474	3.446
E-Systems	1.626	1.810	1.991	2.095	2.097	2.028

Total Employees of Top 10 Defense Contractors

GAO Total Employees of Top 10 Defense Contractors, 1989-94

Company	1989	1990	1991	1992	1993	1994
McDonnell Douglas	127,900	121,200	109,100	87,400	70,000	65,800
Lockheed	82,500	73,000	72,300	71,700	88,000	82,500
Martin Marietta	65,500	62,500	60,500	55,700	92,800	90,300
Raytheon	77,600	76,700	71,600	63,900	63,800	60,200
Northrop	41,000	32,800	36,200	33,600	29,800	42,400
General Dynamics	102,200	98,100	80,600	56,800	30,500	24,200
Loral	12,700	26,100	24,400	26,500	24,200	32,400
Grumman	28,900	26,100	23,600	21,200	17,900	Acquired by Northrop
Litton	50,800	50,600	52,300	49,600	46,400	42,000
E-Systems	17,900	18,400	18,600	18,600	16,700	16,000

Compensation of Top Five Executives

GAO Total Current Compensation of Top 5 Executives at 10 Defense Contractors, 1989-94

Dollars in millions

Company	Executive	1989	1990	1991	1992	1993	1994
McDonnell Douglas	1	\$0.634	\$0.578	\$0.851	\$0.715	\$1.088	\$1.647
	2	0.378	0.527	0.741	0.629	0.970	1.645
	3	0.371	0.410	0.537	0.441	0.637	1.636
	4	0.345	0.376	0.519	0.427	0.637	1.633
	5	0.228	0.347	0.487	0.411	0.626	0.994
Lockheed	1	0.764	1.082	1.315	1.482	1.653	2.173
	2	0.663	0.982	1.022	1.219	1.328	1.682
	3	0.434	0.487	0.531	0.645	0.796	0.940
	4	0.354	0.421	0.519	0.578	0.694	0.876
	5	0.342	0.411	0.494	0.556	0.605	0.767
Martin Marietta	1	1.033	1.122	1.262	1.405	1.653	1.872
	2	0.789	0.697	0.789	1.010	1.078	1.217
	3	0.511	0.467	0.514	0.571	0.925	0.874
	4	0.423	0.465	0.498	0.557	0.639	0.741
	5	0.411	0.401	0.430	0.486	0.528	0.731

GAO Total Current Compensation of Top 5 Executives
 at 10 Defense Contractors, 1989-94 (cont.)

Dollars in millions

Company	Executive	1989	1990	1991	1992	1993	1994
Raytheon	1	\$1.215	\$1.340	\$1.217	\$1.389	\$1.750	\$1.848
	2	0.745	0.925	0.756	0.855	0.969	1.022
	3	0.543	0.605	0.575	0.633	0.714	0.849
	4	0.525	0.541	0.568	0.587	0.674	0.709
	5	0.493	0.499	0.531	0.557	0.555	0.595
Northrop	1	0.796	1.125	1.261	1.159	1.134	1.613
	2	0.413	0.655	0.677	0.705	0.688	1.011
	3	0.261	0.650	0.652	0.509	0.405	0.624
	4	0.261	0.601	0.462	0.453	0.390	0.612
	5	0.235	0.428	0.396	0.402	0.370	0.612
General Dynamics	1	1.199	1.050	4.450	7.903	17.918	2.746
	2	0.775	0.795	3.597	3.904	14.899	1.247
	3	0.551	0.686	2.713	3.017	11.549	0.937
	4	0.507	0.577	1.618	2.627	6.525	0.630
	5	0.464	0.499	0.532	1.749	5.534	0.483

GAO Total Current Compensation of Top 5 Executives
 at 10 Defense Contractors, 1989-94 (cont.)

Dollars in millions

Company	Executive	1989	1990	1991	1992	1993	1994
Loral	1	\$1.742	\$3.213	\$2.984	\$5.816	\$4.471	\$4.586
	2	0.919	1.568	1.398	2.088	1.826	2.395
	3	0.533	0.623	0.779	0.782	0.739	0.764
	4	0.421	0.524	0.687	0.689	0.637	0.657
	5	0.412	0.478	0.641	0.643	0.629	0.650
Grumman	1	0.564	0.435	0.595	0.765	Not available	Acquired by Northrop
	2	0.280	0.310	0.410	0.545		
	3	0.280	0.301	0.407	0.495		
	4	0.255	0.286	0.368	0.380		
	5	0.228	0.260	0.266	0.348		
Litton	1	1.110	1.336	1.406	1.592	1.940	1.203
	2	0.713	0.853	0.899	0.996	1.251	0.803
	3	0.648	0.738	0.678	0.917	1.145	0.786
	4	0.550	0.608	0.667	0.596	0.658	0.626
	5	0.531	0.606	0.529	0.571	0.596	0.616

GAO Total Current Compensation of Top 5 Executives
 at 10 Defense Contractors, 1989-94 (cont.)

Dollars in millions

Company	Executive	1989	1990	1991	1992	1993	1994
E-Systems	1	\$0.753	\$0.884	\$0.958	\$0.967	\$1.007	\$0.907
	2	0.593	0.681	0.724	0.732	0.760	0.549
	3	0.408	0.465	0.518	0.517	0.522	0.524
	4	0.396	0.430	0.446	0.510	0.463	0.481
	5	0.396	0.426	0.370	0.452	0.462	0.470

Note: Data as reported in company proxy statements. Total current compensation comprised of salary, bonus, and other types of cash or equivalent compensation.

Net Realized Value of Exercised Stock Options

Options

GAO Net Realized Value of Exercised Stock Options of Top 5 Executives at 10 Defense Contractors, 1989-94

Dollars in thousands

Company	Executive	1989	1990	1991	1992	1993	1994
McDonnell Douglas	1	\$534	\$0	\$0	\$0	\$0	\$0
	2	0	0	0	0	1,635	0
	3	0	0	0	0	0	0
	4	41	0	0	0	606	0
	5	62	0	0	0	123	0
Lockheed	1	0	0	0	165	0	198
	2	27	0	0	417	641	0
	3	0	0	0	107	161	0
	4	25	0	0	0	1,300	0
	5	0	0	0	0	29	143
Martin Marietta	1	235	235	2,681	465	794	0
	2	0	299	1,155	276	499	1,098
	3	160	139	1,213	99	293	0
	4	381	348	745	82	272	429
	5	219	104	436	130	498	366

Appendix V
Net Realized Value of Exercised Stock
Options

GAO Net Realized Value of Exercised Stock Options of
 Top 5 Executives at 10 Defense Contractors,
 1989-94 (cont.)

Dollars in thousands

Company	Executive	1989	1990	1991	1992	1993	1994
Raytheon	1	\$918	\$1,826	\$0	\$843	\$935	\$822
	2	0	0	60	0	1,783	96
	3	0	0	0	0	286	0
	4	0	0	238	268	370	148
	5	0	154	113	0	188	0
Northrop	1	0	0	0	0	0	0
	2	0	0	0	975	0	423
	3	0	0	0	0	0	0
	4	0	0	0	0	0	0
	5	0	0	0	35	0	0
General Dynamics	1	0	0	0	21,166	0	8,533
	2	0	0	0	10,422	0	0
	3	0	0	0	2,968	0	4,464
	4	0	153	0	7,006	0	3,282
	5	0	0	0	4,788	0	1,759

**Appendix V
Net Realized Value of Exercised Stock
Options**

**GAO Net Realized Value of Exercised Stock Options of
Top 5 Executives at 10 Defense Contractors,
1989-94 (cont.)**

Dollars in thousands

Company	Executive	1989	1990	1991	1992	1993	1994
Loral	1	\$0	\$0	\$0	\$7,085	\$25,989	\$0
	2	0	0	0	0	0	355
	3	0	0	0	568	1,087	0
	4	285	0	380	557	312	466
	5	0	131	131	349	1,035	769
Grumman	1	0	0	0	0	Not available	Acquired by Northrop
	2	0	0	0	0		
	3	0	0	0	0		
	4	0	0	0	0		
	5	0	0	4	0		
Litton	1	16	0	0	0	5,263	22
	2	0	1,271	0	0	0	342
	3	0	0	0	0	0	3,569
	4	667	61	0	235	0	0
	5	362	108	457	104	0	834

Appendix V
Net Realized Value of Exercised Stock
Options

GAO Net Realized Value of Exercised Stock Options of
 Top 5 Executives at 10 Defense Contractors,
 1989-94 (cont.)

Dollars in thousands

Company	Executive	1989	1990	1991	1992	1993	1994
E-Systems	1	\$57	0	\$92	\$63	\$1,625	0
	2	53	0	92	38	787	0
	3	57	0	0	0	0	0
	4	68	0	117	0	214	0
	5	0	0	242	0	0	\$187

Note: Data as reported in company proxy statements.

Related GAO Reports

Defense Sector: Trends in Employment and Spending (GAO/NSIAD-95-105BR, Apr. 19, 1995).

Defense Downsizing: Selected Contractor Business Unit Reactions (GAO/NSIAD-95-114, May 3, 1995).

Overhead Costs: Defense Industry Initiatives to Control Overhead Rates (GAO/NSIAD-95-115, May 3, 1995).

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