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Bush against ban on offshore businesses

NEW YORK (Bloomberg) The Bush administration is opposing a provision in a US House bill that bars companies based overseas such as Tyco International Ltd. from competing for Homeland Security contracts, saying it could violate World Trade Organisation rules and other agreements.

"The pending legislation is overly broad and may have unintended negative consequences," the White House Budget Office said in a statement.

Tyco, Ingersoll Rand Co and Accenture Ltd. are among companies incorporated in countries such as Bermuda and the Cayman Islands that may be excluded from bidding on Homeland Security contracts.

On Tuesday, Republican leaders removed from the bill a provision revoking existing deals such as a \$10 billion contract awarded June 1 to Accenture, though House Democrats revived efforts to block the Accenture contract today.

"If these companies are going to share in the American pie, then they ought to help bake it," said Representative Lloyd Doggett, a Democrat from Austin, Texas.

More than \$8 billion in homeland security contracts will go to companies in fiscal 2005, which begins October 1, according to the Civitas Group LLC, a consulting firm.

Companies based in the low-tax countries won \$1.1 billion worth of defence and homeland security contracts in fiscal 2002, said Representative Richard Neal, a Massachusetts Democrat who backs the contract provision.

Similar restrictions on contracts have been scuttled in the past two years. The Senate has yet to approve its version of the budget bill funding the Homeland Security Department for the fiscal year 2005, which begins October.

Tyco spokeswoman Gwen Fisher said the provision limits competition. The Bermuda-based company, the world's biggest maker of security systems, industrial valves and duct tape, is run from West Windsor, New Jersey, and employs 100,000 people in the US.

"We believe decisions like this both affecting the safety and livelihood of Americans should be based on who can provide the best goods and services at the lowest price and should not be based on where the company is incorporated," Fisher said.

Ingersoll Rand, which is incorporated in Bermuda, is run from Woodcliff Lake, New Jersey, and sells tools, doors and construction equipment. FosterWheeler Ltd. is a construction and engineering company incorporated in Bermuda and run from Clinton, New Jersey. Officials from both companies didn't return phone calls for comment.

US companies that incorporate abroad with the intention of reducing their tax bill will cost the US \$5 billion in lost revenue during the next decade, according to the congressional Joint Committee on Taxation. Congress is considering a ban on that practice, called a "corporate inversion".

Representative Rosa DeLauro, a Connecticut Democrat, and other lawmakers say the companies have an unfair advantage in bidding for contracts against US-based competitors.

Accenture beat out bids from Computer Sciences Corp. and Lockheed Martin Corp. to win the homeland security contract.

The White House Budget Office said Congress shouldn't expose the government to "significant contract termination costs". Democrats said the Homeland Security Department could still terminate the contract without incurring cost or liability.

Accenture's US-based subsidiary and a team of subcontractors were picked to help implement a program to collect data on foreigners entering the United States. Accenture was associated with Arthur Andersen LLP, an accounting firm, before incorporating in Bermuda in 2001. It never was a US-based company, said Roxanne Taylor, an Accenture spokeswoman.