

## Corporate Bigwigs Fly in the Face of the Rabble

By Steven Pearlstein  
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Anyone with even a passing acquaintance with the literature on leadership knows about the importance of setting a good example, enforcing high ethical standards and fostering loyalty throughout an organization by establishing a culture of shared responsibility, shared sacrifice and shared rewards.

Which brings us to our Puzzle of the Day: How did it become standard practice in Corporate America for top executives to routinely use company jets for personal travel and family vacations?

One analyst found that the use of corporate jets has tripled in the past decade. Equilar, a corporate research firm, found that of the 100 biggest U.S. public companies, two-thirds now allow the practice, with the typical chief executive receiving \$108,579 worth of personal air travel. That figure probably understates the true value of the service because it includes only the incremental cost of fuel and pilots, while excluding the cost of buying, insuring and maintaining the planes. If the planes had to be leased on the open market, the true value would probably be three to five times the amounts reported.

Ordinary mortals, of course, would at least have to pay taxes on whatever corporate perks they get. But a number of companies have thoughtfully agreed to pick up the tab for that, as well. The accountants call that a "gross up," which seems like a particularly appropriate double-entendre.

According to company proxy statements, one of the biggest users of the corporate jet for private use is Barry Diller, chief executive of IAC/Interactive Corp. (and a director of The Washington Post Co.), who received \$794,000 worth of nonbusiness air travel last year.

And Robert Rubin, who often traveled on commercial jets when he was Treasury secretary, relied on the Citigroup jet last year for personal portage valued at \$330,392.

Locally, General Dynamics chief executive Nicholas D. Chabraja wins the frequent-flier award, with \$207,094 worth of personal travel on the company Gulfstream -- a plane, not coincidentally, that is manufactured by a GD subsidiary. Like a number of companies, General Dynamics actually has ordered Chabraja to use the company jet for all his travel, whether he likes it or not, to protect his security, ensure his ready availability and make it possible for him to have "secure" communications with the troops back at headquarters, even when on personal travel. Chabraja, however, apparently likes it well enough to have negotiated for 500 hours of free flight time during the first decade of his retirement.

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Other local execs who used the company jet for personal travel last year include hotelier Bill Marriott (\$129,850), who probably also got a good rate on hotel suites; Dale Wolf, the super-secret chief executive of Coventry Health Care (\$112,127); and Sid Harman of Harman International (\$172,123), who with his wife, a California congresswoman, lives a bicoastal existence.

I think we can, rather quickly, dismiss the security rationale for company-paid vacation travel. The list of chief executives attacked while traveling to Nantucket or Aspen is a short one. And if corporate executives are really worried that they are kidnapping targets, they can solve the problem easily, either by giving back some of their excessive pay, or using a small portion of it to pay for the planes themselves.

Some might argue that there is no financial difference between paying an executive \$15 million in cash and stock, or \$14.8 million plus a \$200,000 allowance for personal travel. But there is a huge difference in terms of perception, both inside and outside the company, among people who have to endure the indignities of security checks, crowded planes and lousy service whenever they travel.

It hardly sends the right signal when a chief executive who has to close plants, or cut back on medical benefits, or even lecture employees about padding expense accounts -- flies off at company expense in the company jet for Christmas in St. Croix.

"The symbolic actions of top leaders are very closely observed," says Warren Bennis, the leadership guru.

And shareholders are also ill-served when their companies are run by executives who live in airtight corporate bubbles, totally cut off from the real world of their customers and employees.

"These executives don't know what they are missing because they are, literally and figuratively, flying above it all," says Marianne Jennings, a business professor at Arizona State University who studies ethical lapses in organizations.

There are a number of efforts afoot to rein in personal use of corporate jets. The Internal Revenue Service has proposed a rule that would prevent companies from writing off jet purchases to the degree the planes are not used for business purposes. And the Securities and Exchange Commission has proposed more stringent disclosure rules for executive perks. Last month, Sen. Mark Dayton (D-Minn.) even won Senate passage of a change to the IRS code that would tax the corporate-jet perk at its real market value, but the provision mysteriously disappeared when the tax bill emerged this week from a closed-door Republican conference.

Even the Business Roundtable, made up of the chief executives of the country's biggest corporations, is now worried about how executive compensation has undermined the public perception of corporate executives. A review of the organization's pay guidelines is quietly in the works, with a particular emphasis on gold-plated perks.

Think of it as entitlement reform, corporate style.

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