

# PITTSBURGH TRIBUNE-REVIEW

## Top execs flying high

By Thomas Olson  
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When Allegheny Technologies Inc. hired veteran metals executive L. Patrick Hassey to turn around the specialty steelmaker in 2003, he didn't sell his home in Salt Lake City. He commuted to Pittsburgh on a company-leased jet.

Last year, those monthly trips cost the corporation \$262,371, securities filings show. The perk was built into Hassey's employment agreement so he could visit his family, the company said.

Hassey, 60, is hardly alone in his executive high life. Scores of top executives in the Pittsburgh region routinely board company aircraft for personal trips, filings with the Securities and Exchange Commission show.

Company-paid, personal flight expenses last year exceeded \$100,000 for at least eight corporations headquartered here or with major operations here. The tallies include such costs as fuel, landing fees and aircraft crews.

By comparison, the median cost for such expenses among the nation's 100-largest corporations last year was \$108,579, according to research by Equilar, a compensation research firm in San Mateo, Calif.

"It's easy to jump on the corporate aircraft for a vacation or a family gathering or a golfing trip," said Charles Elson, director of the Weinberg Center for Corporate Governance at the University of Delaware, Newark, Del.

"Executives using the company aircraft essentially as a company car to take them anywhere they want to go is an abuse," Elson said.

Nobody at Allegheny Energy Inc. may use the gas and electric company's aircraft without "the approval of the Chief Executive Officer," say documents filed by the utility based in Greensburg. That CEO, Paul Evanson, himself racked up \$134,422 in personal flights last year. Many took him to and from his other home in Florida, a spokesman confirmed.

The purpose of such executives' trips, however, is rarely disclosed to the SEC or company shareholders.

"Personal is personal, and we wouldn't disclose that," snapped National City Corp. spokeswoman Kristen Baird Adams, when asked to explain CEO David Daberko's personal flying pattern.

Daberko racked up \$181,495 worth of personal trips last year on company aircraft, show filings by the Cleveland-based bank corporation, the parent of National City Bank of Pennsylvania, which has 220 offices in the state. National City requires the CEO to fly on the corporate jet on both business and personal trips "for security reasons," she said.

"If the executives need to use private aircraft, let them charter one," said Elson. Most CEOs can afford it, he added.

National City's Daberko took home \$5 million in cash compensation last year, other documents show. Allegheny Technologies' Hassey earned \$3.7 million. Both men received over \$6 million more in various company securities.

FedEx Corp., whose ground transportation unit is based in Moon, paid for \$258,730 worth of CEO Frederick Smith's personal flights on company aircraft last year. Documents also show he received \$8.7 million in cash compensation last year, and another \$14.9 million in securities.

Large corporations with far-flung business operations do save money and time by owning or leasing corporate jets. U.S. Steel Corp., for example, owns four 12-passenger Gulfstream jets. Two of them can fly overseas and are used to visit U.S. Steel plants in Slovakia and Serbia, said spokesman John Armstrong.

"It's especially hard to get there by commercial aircraft, and those flights are very expensive," said Armstrong.

"Corporations don't want executives waiting around in airports," said Nel Sanders-Stubbs, vice president of Conklin & de Decker Aviation Information, a consulting firm in Orleans, Mass. Company-paid personal flights are "just one of the fringe benefits executives can enjoy."

"If shareholders are concerned about their CEO's use of the corporate aircraft, they should ask questions and hold the boards accountable," she said.

But the SEC doesn't even require the cost of personal flights to be disclosed at all when the tab is less than \$50,000 in a year. So, many executives' perks fly under the bar of visibility.

Shareholders of U.S. Steel and of US Airways Group, for instance, don't know how much free personal flying executives took on their companies' aircraft last year.

"But we are seeing a trend toward more disclosure," said Tim Ranzetta, president of research firm Equilar. "More companies are saying, 'We don't want perks to be a question in shareholders' minds.'"

Allegheny Technologies, for instance, chose to disclose why CEO Hassey gets free use of the company plane for personal trips.

"Part of his employment agreement was that he wanted to be able to see his

(six) grown children back in Utah," said Allegheny Technologies spokesman Dan Greenfield. Hassey and his wife do own a home in Western Pennsylvania, he said, but have "a very strong relationship with their children and grandchildren."

Mellon Financial Corp., for instance, voluntarily disclosed that former CEO Martin McGuinn derived \$16,000 of personal use of Mellon aircraft last year, even though the amount fell below \$50,000.

Alcoa had to disclose Alain Belda took \$51,790 in personal flights last year -- but did not need to say he took \$40,321 worth in 2004, and \$31,163 in 2003. Nor did it need to disclose Chief Financial Officer Richard Kelson's \$4,946 in personal flying last year.

H.J. Heinz didn't disclose how much personal flying CEO William Johnson did on company aircraft last year. But the food company did inform shareholders that Johnson took the unusual step of reimbursing Heinz for it.

SEC rules require companies to report the incremental costs associated with those flights, such as jet fuel.

When pressed to explain the plane perks, companies usually cite personal security as the issue. Corporate executives in South America, for instance, have been kidnapped by criminals seeking ransom money in recent years.

"For security reasons, it's FedEx policy that requires Mr. Smith to use corporate aircraft for personal as well as business travel," said spokesman Jim McCluskey.

"U.S. airports are about the safest in the world," said business ethicist Elson. "Probably no one at an airport is going to recognize most executives anyway -- unless they call attention to themselves by showing up in a helicopter or corporate jet."

*Thomas Olson can be reached at [tolson@tribweb.com](mailto:tolson@tribweb.com) or (412) 320-7854.*