

Republican vice-presidential nominee gets \$20 million payoff from US oil company

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Halliburton Corporation, the world's largest oilfield services company, confirmed August 16 that Republican vice presidential nominee Richard Cheney will receive a "golden handshake" worth up to \$20 million upon his retirement as chief executive officer of the firm.

Although Cheney did not fulfill the terms of his contract as CEO, which requires that he serve until age 62, another three years, in order to collect full benefits, Halliburton's Board of Directors has decided to waive all penalties and give him the maximum severance and pension package, the bulk of which is in the form of stock options.

The waiver means that Cheney will not forfeit options to buy 400,000 ordinary shares of Halliburton stock at a favorable price. The Board also decided to lift the restrictions on another 140,000 shares of restricted stock, allowing Cheney to convert these into regular shares.

The company valued the two waivers at \$7.7 million, a calculation that is deliberately low, since it assumes a stock price of \$42.25 per share, the closing value on July 25, the day after George W. Bush announced Cheney's selection as his running mate. At current prices the waivers amount to a gift of \$13.6 million, and the value could rise even higher if Halliburton's stock price continues to climb.

Some of the 400,000 options will not vest for Cheney until December of this year, before he takes office if elected vice president. Other options will not vest until December 2001 or December 2002, meaning that Cheney would retain a substantial personal interest in Halliburton well into his term of office. According to a Halliburton officer, the options cannot be transferred or donated to charity except after Cheney's death, by his heirs.

Cheney denied that the options meant that his actions as vice president would be influenced by his oil industry holdings. A spokesman quoted him as saying: "I will do whatever the law requires. I will do whatever I need to do to avoid any conflict of interest." As it happens, however, according to experts in the field, there is no legal requirement that Cheney dispose of assets such as stock options before or after taking office.

George W. Bush defended Cheney against criticism that the gargantuan payoff was excessive and that it demonstrated the subservience of the Republican ticket to the oil industry. His spokesman Ari Fleischer said Cheney's retirement package was "a reflection of how successful a businessman he's been."

Perhaps the most revealing comment came from Gary Morris, the chief financial officer of Halliburton, who confirmed in press interviews that Cheney would also receive a bonus for the year 2000 if the company met certain undisclosed financial goals. "It will be roughly in the neighborhood of \$1 million," Mr. Morris said of the bonus. "It is not a big number."

This sum is more than most workers in the United States make in their entire working lives, but in the world of corporate CEOs and their political servants, it is considered small potatoes.

Even without the pension and severance payments Cheney would leave Halliburton a wealthy man. He already owns stock worth more than \$25 million, although he has never personally invested a penny in the company. Just last May he cashed in stock options that netted him a profit of \$3 million, after he had already taken on the job of helping Bush select a vice-presidential candidate. He also made \$1.3 million in salary in 1998 and again in 1999, and similar amounts in salary as well as bonuses of between \$1 and \$2

million in 1996 and 1997.

Cheney was named CEO of Halliburton in August 1995, despite his lack of previous experience in the oil industry, because company officials expected that his overseas and Washington contacts would prove advantageous. This judgment proved accurate, especially in the Middle East, where the oil sheiks remember Cheney as US secretary of defense during the Persian Gulf War.

As one industry expert told *USA Today*, "Managers at Halliburton are absolutely amazed. Before Dick Cheney, they would fly over and meet some third cousin twice removed. Now, they meet the king of the country."

Since Cheney became CEO, the percentage of Halliburton's revenues from overseas operations rose from 32 percent to 70 percent. Besides the Middle East, Cheney has been instrumental in obtaining lucrative contracts in the Balkans, where Halliburton provides support services for the NATO military occupation in Kosovo, including functions that were privatized during Cheney's tenure at the Pentagon.

Cheney's Washington contacts also proved invaluable in obtaining a \$500 million loan guarantee from the US Export-Import Bank to a Russian oil company last April. The bulk of the money is being paid to Halliburton for its services in increasing output in the Siberian oilfield.

Halliburton's generous payoff to Cheney is in sharp contrast to the treatment of its own workers, both active and retired, and its attitude to those who have been injured or poisoned as a byproduct of the company's industrial activities.

During Cheney's five years as CEO, Halliburton cut 9,000 jobs, many in conjunction with the company's merger with Dresser Industries, its principal US rival. Halliburton also reduced medical benefits for retirees, citing cost pressures.

According to an August 4 report by the *Seattle Post-Intelligencer*, Cheney and Halliburton gave more than \$150,000 in campaign contributions to members of Congress who sponsored legislation that would have limited the ability of workers to sue the company for illness due to asbestos exposure.

Halliburton and its subsidiaries have spent \$99 million fighting 273,000 lawsuits filed against them over the past 25 years by workers suffering from

asbestosis, cancer and other asbestos-related disease. More than 100,000 of these damage claims are still pending, including 46,400 new suits filed in 1999.



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