New Ford CEO received $39.1 million in 2006

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Ford Motor Co.'s new Chief Executive Officer Alan Mulally earned $39.1 million for his four months at work in 2006.

The company, which lost $12.7 billion last year, the worst loss in its 103 years of doing business, is in the process of shutting 16 plants and shedding more than 40,000 hourly and salaried workers. Ford's sales last month suffered a 9 percent decline compared with March 2006, and its share of car and light-truck sales (Ford, Lincoln and Mercury brands) in the US stands at 15.4 percent, a drop from 17.6 percent one year ago. "Ford" and "bankruptcy" have found their way into more than one piece on the business pages.

Mulally, 61, came to Ford in September 2006—after 37 years at Boeing—to turn the company around. It is questionable whether he will be able to do that. In any event, even if tens of thousands of additional auto workers and workers in related industries lose their livelihoods and entire communities are devastated, Mulally will not lose out. If he is terminated, "not for good cause" or for "good reason," such as a change in company ownership, merger or bankruptcy, his severance package will be worth $27.5 million, according to the *Detroit Free Press*.

Ford, in its proxy statement filed with the Securities and Exchange Commission, reported compensation for Mulally of $28,183,476, including $666,667 in salary (for 1/3 of the year), a bonus of $18.5 million (a $7.5 million hiring bonus and $11 million for forfeited performance and stock option awards at Boeing). The *Associated Press* and *Reuters* both put the new CEO's earnings at $39.1 million, based on the value of stock options, pension benefits, etc.

The *Detroit News* reports, "Another $334,433 in 'other' compensation includes items such as life insurance premiums toward a policy worth 1 1/2 times the CEO's annual salary, tax reimbursements and company contributions to his 401(k) plan. Mulally's personal use of Ford aircraft, including for his wife, family and guests, was worth $172,974, and Ford spent $55,469 for his relocation and temporary housing costs. The company also reimbursed him $21,878 to pay Mulally's personal taxes on such items."

"The pay plan is very aggressive," Dan Moynihan, an executive pay expert with Compensation Resources Inc. in New Jersey, told the newspaper. "Is it egregious? Probably not. Is it big? Yes." Moynihan did not indicate at what point, in his eyes, a pay plan would become "egregious."

Other Ford executives did well for themselves as well. Ford Americas President Mark Fields received a total of $10.86 million in 2006, including a salary of $1.25 million. Chief Financial Officer Don Leclair was awarded $7.99 million, including a $1 million salary.

William Clay Ford, Jr., great-grandson of the company's founder, executive chairman and former chief executive, received "no cash salary, bonus or other awards" for 2006, the auto firm grandly announced, as part of his May 2005 arrangement to forego any new compensation until the company's automotive sector returns to profitability. However, his 2006 compensation totaled $10,497,292, relating to his previous options and other stock-based awards.

Retired president and chief operating officer James Padilla, reported the *News*, was paid nearly $8.7 million in 2006. "Padilla's perks, which also are available to other senior executives, ranged from use of corporate aircraft, car and driver service, use of company cell phones, phone cards, cars, sporting event tickets and club memberships. They were valued at $147,581 for 2006, Ford said."

The mad accumulation of personal wealth by the American corporate and financial elite continues, virtually unabated.

The Corporate Library, a corporate governance watchdog, reported recently that the median year-over-year percentage increase for chief executives was nearly 10 percent in 2006. Pay increases among executives of S&P 500 companies were far higher than those enjoyed by the CEOs of smaller firms, with the median increase topping 23 percent among the large corporations, and median total pay more than $10 million.

The highest chief executive compensation in 2006 was handed out to Leslie Blodgett of Bare Escentuals Beauty Inc., a San Francisco cosmetics company, who earned $118 million as she exercised stock options.

After well-publicized cases of toxic greed, such as that of Robert Nardelli, ex-Home Depot CEO, who received a severance package of $210 million, the media hailed the decision in late March of Blockbuster chief executive John Antioco, under pressure, to accept a 2006 bonus and lump-sum cash payout *lower* than originally negotiated.

Reuters somewhat grudgingly noted, "Still, Antioco isn't walking away empty-handed. His exit package is valued at about $24.7 million, not including the value of his stock options. The payout includes a 2006 bonus of $3.05 million, reduced from $7.6 million as outlined in his original contract, and a $5 million lump-sum payment, compared with the $13.5 million that he would have been entitled to under the prior contract."

Other recent reports of corporate compensation: Verizon announced that chief executive Ivan Seidenberg had earned more than $109 million in the last five years; International Paper reported it paid CEO John Faraci nearly $11.3 million in 2006; Cendant Corp., a $20 billion conglomerate that broke into four pieces in August 2006, will hand out $110 million in a severance package to former CEO Henry R. Silverman; Meridian Bioscience chairman and CEO William Motto received about $1.08 million in cash and $359,000 in option awards for fiscal 2006; Charles Ergen, chairman and chief executive of satellite-dish provider Echo Star Communications Corp., received a compensation package worth $1.4 million in 2006; WellPoint Inc., the Indianapolis provider of health-care services reported April 5 that chief executive Larry C. Glasscock received total pay valued at $23.9 million for the past year; Sears CEO Aylwin Lewis got compensation valued at $2.1 million in 2006.

According to the Economic Policy Institute, over the period 1992 to 2005 the median CEO's pay rose by 186.2 percent, while the median worker's wages increased by only 7.2 percent.

In March General Motors and Chrysler showered its top executives with millions of dollars in bonuses: GM chief executive Rick Wagoner got restricted stock valued at $2.8 million and 500,000 options worth $1.4 million. Chrysler CEO Tom LaSorda received $3 million in compensation, including a $1.1 million annual bonus. Both auto companies lost billions in 2006 and launched significant attacks on workers' jobs, wages, working conditions and benefits.

On April 4, Ford CEO Mulally addressed the Morgan Stanley Global Automotive Conference in New York City, coinciding with the New York auto show. He told the assembled journalists and Wall Street advisers and insiders, "We have to do whatever it takes to get a cost structure that is competitive and that includes all the elements of it—17 to 18 percent of it is wages and benefits. We have to look at that. It is going to be a very important conversation we have with the UAW [United Auto Workers union] this year."

The wages and benefits of auto workers must be lowered dramatically; on this all shades of opinion on Wall Street and within the media agree. For that matter, the union bureaucracy shares the same view. Mulally went out of his way in New York to compliment the UAW leadership of Ron Gettelfinger, observing that he "couldn't be more pleased with the thoughtfulness and thoroughness" of UAW officials in considering Ford's labor costs. "I couldn't be more pleased about the relationship" with the union, he went on. He indicated that he was "cautiously optimistic" about working out a more "competitive" contract with the UAW later in 2007.

The Democratic Party plays its own direct role in the campaign to rob an older generation of autoworkers of hard-won gains and stunt the future of the younger workers. Richard Gephardt, former Democratic congressman and presidential hopeful, has "become a key behind-the-scenes player in Ford's efforts to trim its costs" (CNN, September 11, 2006). Ford has hired him to "serve as a special adviser and consultant ... through next summer's contract negotiations with the United Auto Workers." Gephardt told the *Detroit News* he was working with Ford, in the newspaper's words, "to find creative solutions to its labor costs issues. 'We're trying to use some innovative ideas to try to square the circle,' he said."

In fact, Gephardt helped recruit Mulally to Ford. As a Boeing official, Mulally hired the former House Minority leader, a right-wing supporter of the Iraq war and inveterate American chauvinist, in the summer of 2005 to help with the aircraft company's negotiations with the International Association of Machinists. In September 2005, Boeing reached a deal to end a month-long strike, as Mulally and IAM leaders worked out an agreement in talks attended by Gephardt.

The mass of articles devoted to Mulally's compensation and the crisis at Ford cite comments from countless business analysts, investors, car dealers, Ford executives, competitors, politicians, free market zealots and economics professors. One lone auto worker is quoted in the entire volume of material.

The *Detroit Free Press* registered the solitary opinion of Romeo (Michigan) Engine Plant worker Brad Firmingham, a UAW member who has worked at Ford since 1978. He "doesn't think Mulally is making the right choices and doesn't think he can rescue Ford. It's obscene 'that he gets that amount of money for six months of work,' Firmingham said. 'Six months, for what?'"