Detroit-area CEOs rake in millions while city prepares further cuts

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11 January 2012

Detroit faces the threat of a takeover by a State of Michigan-appointed emergency financial manager, and discussions are under way over massive cuts. All sides in the official debate insist there is no money to fund vitally needed social services. Detroit officials are threatening thousands of layoffs and demanding steep concessions from workers in a city already suffering mass unemployment and pervasive poverty.

The publication of the *Crain's Detroit Business* 2012 Book of Lists, which provides CEO pay and other financial information on Detroit-area corporations, puts the debate over the city's budget crisis in a different light. Far from there being no money, the *Crain's* report shows that the corporate elite in the Detroit Metropolitan area is rolling in cash, with *individual* executives in some cases making incomes equivalent to the budgets of entire city departments.

Topping the CEO compensation list in the Detroit metropolitan area is John Plant of TRW Automotive Holdings. According to *Crain's*, Plant took in $49,863,382 in salary, bonus, incentive, stock and "other compensation" in 2010.

Another top-ranking TRW officer, Executive Vice President and Chief Operating Officer Steven Lund, took in $22,607,970. Two other TRW executive vice presidents, Peter Lake and Joseph Cantie, made $12,813,694 and $12,813,680, respectively. The combined pay of the top four TRW officers comes to $98,098,726, about one half the estimated $200 million Detroit budget deficit.

Based in Livonia, Michigan, TRW Automotive is ranked number 171 on the Forbes list of top US corporations, with profits in 2010 of $834 million. The company manufactures brakes and safety systems for the major auto companies. The private equity fund Blackstone Group, which gained notoriety as a corporate asset stripper for its role in restructuring and downsizing the auto industry, acquired TRW Automotive in 2002 for $4.7 billion in the biggest leveraged buyout since RJR Nabisco. Blackstone still holds a significant share of TRW stock.

Number two on the *Crain's* list of best-paid Detroit-area CEOs is Donald Stebbins of auto parts maker Visteon, who took in $26,918,489 in total compensation in 2010. This despite the fact that Stebbins had recently led the company into bankruptcy. Visteon shareholders were not so fortunate, receiving about 61 cents on the dollar on their old shares.

Stebbins raked in more than the entire amount slated for the city of Detroit recreation department in Detroit mayor David Bing's 2011-2012 budget recommendation ($22,59,606). Another Visteon officer, Executive Vice President David Quigley, took in $11,013,461 in 2010. Quigley was forced to resign in October 2011, which didn't stop him from walking away with another $9.9 million in severance pay and restricted stock. The combined pay of Stebbins and Quigley is more than the entire proposed budget for the city of Detroit's public libraries ($35,036,598).

Moving down to number three on the *Crain's* list, we find James McElya, CEO of Cooper Standard Holdings Inc, an offshoot of Cooper Tire and Rubber. The company is owned by the private equity firm Cypress Group and Goldman Sachs Capital Partners. Mr. McElya took in $23,160,523 in 2010, including $13,753,875 in stock. Cooper Standard, which makes body-sealing and fluid-handling systems for the automotive industry, emerged from bankruptcy in 2010. As part of the changes it implemented during bankruptcy, the company laid off 20 percent of its global salaried workforce.

Alan Mulally of automaker Ford is number four on the *Crain's* Detroit list, taking in $19,020,522 in 2010. Mulally oversaw the imposition of massive pay and job cuts on Ford's hourly and salaried workers. The $500 million in concessions extracted from Ford workers in 2009 were used as a benchmark by the Obama administration, along with the threat of liquidation, to extract even greater concessions from workers at Chrysler and General Motors.

Number five on the list is Alan Schultz of Valassis Communications, who took in a hefty $15,699,697 in 2010. In addition to his executive compensation, Schultz—who retired as CEO on December 31, 2011—holds stock options worth an estimated $26 million.

Rounding out the list of top 10 highest-paid Detroit CEOs are:

6) Mark Malcolm, auto supplier Tower International. Compensation: $10,418, 536.

7) Robert Rossiter, auto-seating manufacturer Lear Corporation. Compensation: $9,091,583.

8) Joseph Welch, electrical transmission company ITC Holdings Corp. Compensation: $9,017,004.

9) Charles McClure, brake and transmission manufacturer Meritor Inc. Compensation: $7,606,508.

10) Timothy Manganello, auto components supplier BorgWarner Inc. Compensation: $7,556,022.

The combined compensation of these 10 executives is $178,352,266, a staggering sum, more than the total amount Detroit spends on its public transportation system and a large percentage of the entire city deficit. And these are just the figures for companies whose stock is publicly traded and therefore must report executive compensation. Nor does it take into account other sources of income accruing to the individuals listed, who often draw hefty fees from sitting on multiple corporate boards.

According to a recent report, the Detroit area ranks eighth in the United States in terms of the number of high-net-worth individuals (HNWIs)—i.e., those with $1 million or more in investable assets (which excludes a primary residence)—with 89,100 such people in 2009, an increase of 12.5 percent over 2008.

These figures expose the lie, repeated endlessly by the big business politicians and the corporate-controlled media, that no resources exist to address pressing social needs. The resources exist not only to fund a decent level of public services in the city of Detroit, but to provide a high quality of life for all working people in the Detroit metropolitan area. The budget crisis in Detroit is the outcome of a deliberate policy by the big business politicians of starving state and local governments of funding, by handing out round after round tax cuts to big corporations and wealthy individuals.