

Executive Perks: The corporate jet files

By David Crow

Post-crisis outrage prompted many bosses to scale back personal use of company aircraft. But an FT review reveals that the expensive benefit lives on, particularly at groups run by founders or families.

When Ross Johnson was chief executive of RJR Nabisco, the tobacco-to-biscuits conglomerate, in the 1980s, he sent Rocco, his pet dog, on a 2,000-mile flight aboard the company jet.

According to the story, made famous in *Barbarians at the Gate*, a book about the leveraged buy-out of the company in 1988, Johnson had been playing in a golf tournament in a Palm Springs resort when the German shepherd bit a security guard, prompting concern that the dog would be quarantined or worse.

Rocco was smuggled on to one of RJR Nabisco's 10 private jets, listed as the passenger "G Shepherd" and flown from California to the group's headquarters in Winston-Salem, North Carolina, with an executive as his chaperone.

It would be hard to find the head of a publicly listed group doing something so egregious in 2016 but according to a study by the Financial Times of more than 1,000 corporate filings for every company in the US S&P 500 index over two years, some executives still use company aircraft as if they were their own property.

The total spent by S&P 500 companies on personal corporate jet flights was roughly USD40 million a year in 2013 and 2014, a relatively small amount when compared with the billions of dollars spent on salaries and bonuses but big enough to be seen by some inves-

BLOOMBERG



Eric Schmidt, Chairman of Google, is the fifth top private jet-using executive in 2014, according to the Financial Times

tors as a harbinger of poor corporate governance.

The Rocco episode was not the only instance of excess aboard Nabisco's fleet of jets, known as the RJR Airforce and operated by 36 corporate pilots. For many, the story - which some have disputed - was the high-water mark

of corporate largesse and one of the catalysts for a decades-long push to crack down on overspending at public companies.

Corporate jets are just one of many perks granted to executives by compliant boards over the years, alongside rent-free accommodation and

memberships to country clubs. They have loomed large in the public consciousness, a gleaming symbol of corporate machismo, exclusivity and inequality.

"There is a question as to why it is that the people who are the most highly paid at a company are the ones who receive an array of free perks," says Carol Bowie of Institutional Shareholder Services, which advises investors on how to vote at annual meetings. "You can't disguise the fact that these people are those best able to afford to pay for such things themselves."

Private jets became a flashpoint in the public anger that followed the financial crisis of 2008,

with US politicians lashing out at executives from GM and Chrysler after they used corporate aircraft to travel to Washington to ask for a multibillion-dollar taxpayer bailout. AIG, the insurer, also came under fire for continuing to operate a fleet of jets after receiving \$180 billion of bailout funds.

The outrage caused

many companies to limit personal use of corporate aircraft, as did the introduction of disclosure rules a decade ago, which force public corporations to reveal how much is spent on the perk. The US Securities and Exchange Commission ushered in the rules in 2006 amid fears that companies were effectively paying executives more than they were

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CAROL BOWIE

TOP FIVE JET-USING EXECUTIVES IN 2014

1. BARRY DILLER (EXPEDIA/IAC) - \$1,654,089
2. STEVE WYNN (WYNN RESORTS) - \$1,049,798
3. JOHN TYSON (TYSON FOODS) - \$859,129
4. LESLIE MOONVES (CBS) - \$701,655
5. ERIC SCHMIDT (GOOGLE) - \$672,400

Source: SEC



Executive Perks - The corporate jet files (continued)

telling investors, with freebies such as private jet flights, lump sums to pay their taxes and memberships to luxury golf resorts.

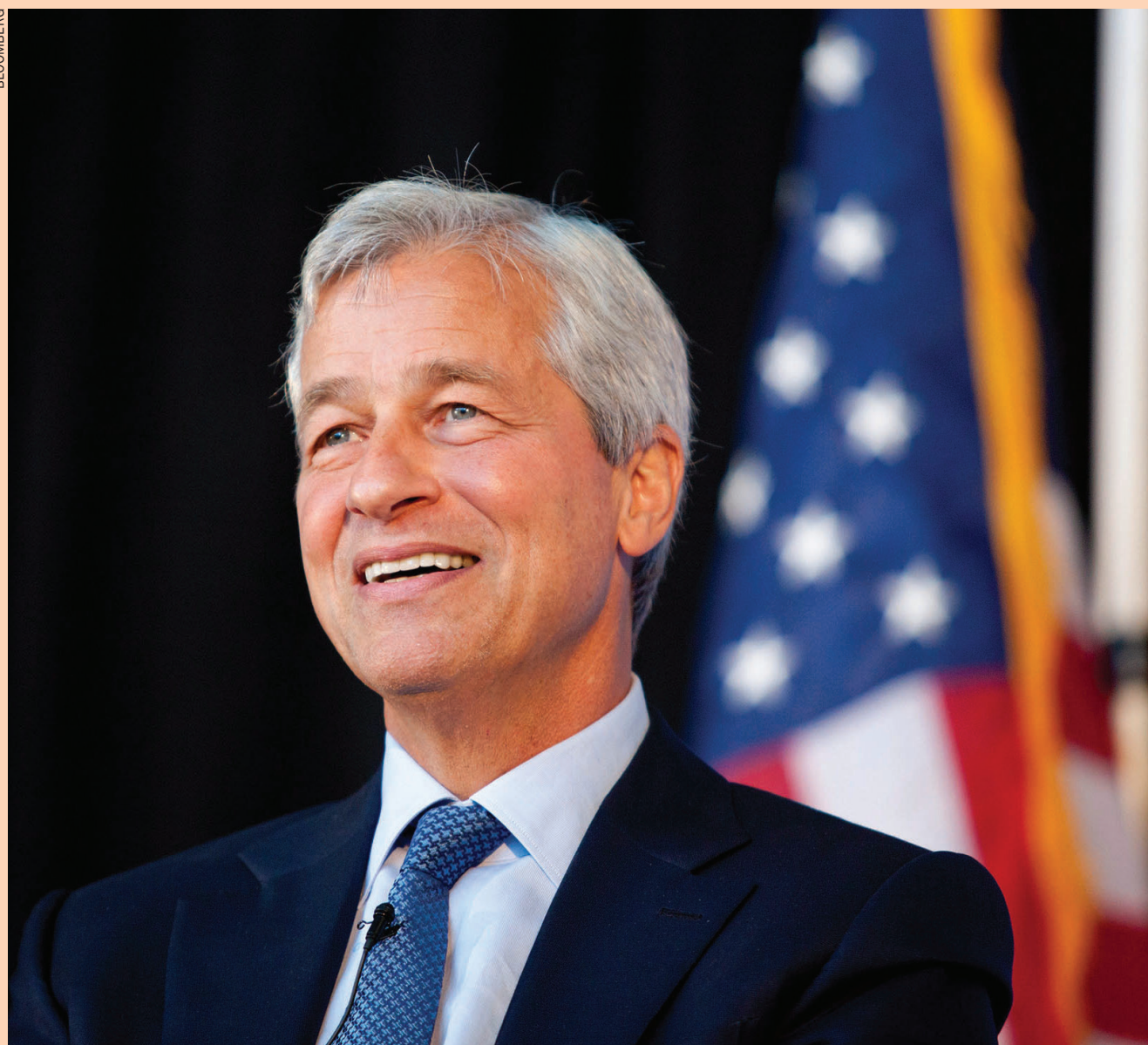
Most companies in the S&P 500 still operate private jets or lease them from a third party on the premise that commercial air travel in the US, which is plagued by delays and queues at security, is uneconomical for executives who are paid millions of dollars a year.

Many, however, have forbidden executives from using the aircraft for personal trips, or dramatically reduced the amount they can spend on the perk. Goldman Sachs does not allow Lloyd Blankfein, its chief executive, to use the company jet for his holidays, while Jamie Dimon, his counterpart at JPMorgan, spent less than \$50,000 on personal flights aboard company jets in 2014.

Some bankers still take advantage of the benefit, though: in 2014, almost \$240,000 was spent on a single round-trip to Australia for James Gorman, chief executive of Morgan Stanley, to attend his mother's funeral.

The FT's corporate jet files show there are still a significant number of companies that are spending large sums on personal flights, and in many cases much more than they were before the financial crisis.

Barry Diller, chairman of InterActiveCorp and Expedia, for instance, took personal flights worth \$834,000 on the company jet in 2005, almost half the \$1.7 million he spent in 2014, while the amount spent



JPMorgan's Chief Executive Jamie Dimon spent less than USD50,000 on personal flights aboard company jets in 2014

on non-business trips by executives at Leucadia, owner of investment bank Jefferies, has jumped from \$435,000 in 2005 to about \$1 million a year.

Arthur Kohn, a lawyer at Cleary Gottlieb who advises companies on corporate aircraft, says greater scrutiny of perks has prompted many groups to rethink their policies.

"Nevertheless, personal use of corporate aircraft is one of the perks that has been most resistant in the face of criticism," he says. "My experience suggests

that many companies continue to offer it."

The FT's analysis has found that it is not necessarily executives at the largest groups who are the biggest users of company jets for personal travel.

Tim Cook, Apple's chief executive, does not receive the perk, although the company did buy his predecessor, the late Steve Jobs, a personal jet that cost \$90 million in 1999. None of the executives at Microsoft receives the benefit, either.

Of the top 20 groups in

Most S&P 500 companies still operate private jets because commercial air travel is uneconomical for executives paid millions of dollars a year

the S&P 500, just three - Google, Facebook and Procter & Gamble - appear in either the top 10 list of biggest-spending companies or executives. Conversely, several relatively small companies were big spenders. Freeport-McMoRan, the cop-

per and gold producer, ranks as number 354 in the S&P 500 for market value but spent \$1.2 million on personal jet travel in 2014 - more than any other company.

Constellation Brands, the beer and wine group, and DaVita Healthcare Partners, the kidney dialysis group, also feature in the top 10.

Otherwise, the ranks are dominated by companies where the founder or their family still exerts influence, such as Tyson Foods. The largest US meat processor is chaired by John Tyson, grandson of the company's founder. In 2013 and 2014, Tyson and executives took personal flights aboard the company aircraft worth \$2.3 million.

Comcast, the cable and broadcasting group founded by Ralph Roberts, and now run by his son, Brian, spent \$2.2 million on personal private jet flights during the same period.

Ms Bowie of the ISS says high spending on personal use of corporate jets is a "red flag" - a warning sign that executives are treating a public company as if it were a family-owned enterprise, or that the board of directors does not exert enough control. "Where you find misuse is often at companies where there seems to be in the C-suite a certain sense of entitlement," she says. "Investors pay attention to it as more of a sign - not the disease - that the CEO is too powerful."

David Yermack, a professor at the Stern School of Business at New York University, conducted an analysis in 2005 that established a link between aircraft perquisites and inferior shareholder returns. Yermack analyzed a decade's worth of data on 237 large companies and found those that disclosed corporate aircraft benefits underperformed market benchmarks by more than 4 percent a year on average.

This chief executive perquisite, where disclosed, "is associated with severe and significant underperformance of their employers' stocks", Yermack said.

Additional reporting by Jennifer Bissell

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Security benefit

Many of the companies contacted by the FT said it was company policy for top executives to travel by corporate jet due to security concerns, although none would disclose whether they had been subject to specific threats.

Privately, companies said the perk was a reflection of the fact that the line between a chief executive's professional and personal life was often blurry, and that travelling on a private jet allowed them to discuss business without the risk of being overheard by other passengers. "Most executives argue that it enhances efficiency, that it gets them from

A to B more quickly, and facilitates the discussion of business in transit," says Mr Kohn.

However, compared with other corporate freebies, personal jet travel is expensive. First, the sums disclosed by companies do not reflect the true cost; they are only required to publish the "incremental" cost - the price of a specific flight - which they calculate using a formula that works out between USD5,000 and \$7,000 per hour. This ignores the fixed cost of owning or leasing the jet, or buying a new one when it needs to be replaced.

Second, the perk often results

in big tax bills for companies - which can eclipse the cost of the flight itself. Whereas corporations can use deductions to offset executives' salary or bonuses, they cannot do the same for personal jet travel.

Last year, Comcast informed its investors that it had been denied a tax deduction in 2014 of about \$3.75 million - far more than the \$1.2 million it spent on the flights - because of personal use of company aircraft by its executives and their guests. By allowing their executives to use the plane for personal trips, the company missed out on deductions to which it would have

otherwise been entitled.

Not all executives are fans. Although Warren Buffett uses Berkshire Hathaway aircraft for business travel, he also has a personal membership of NetJets, the pay-per-flight private jet operator that Berkshire owns, for all other trips.

David Pyott, the former chief executive of Allergan between 1998 and 2015, says he "consistently resisted a corporate jet or even a jet share" during his tenure at the company. "I used to joke with investors, that even as a Scotsman I only wasted my personal money on a jet share - certainly not the company's."

By Hannah Dreier

Socialist dream under threat in Venezuela's 'Chavez City'

DRIVE down a road lined with trash fires, past an improvised slum where sewage runs between shacks and through an army checkpoint, and you'll reach a startling destination: a gleaming, self-contained community about as clean and orderly as a U.S. suburb.

Welcome to the Socialist City of Hugo Chavez, a utopian community of 15,000 in the middle of one of the world's most economically ravaged countries.

A flagship of the socialist revolution founded by its namesake, the late president, Chavez City is a happy place, boasting free clinics, schools, sports centers, community gardens, an arts center and a school supplies dispensary, all of them plastered with renderings of Chavez in his signature red beret.

But in a sign of how profoundly Chavez's revolution is struggling, the tranquil days in this worker's paradise may be numbered. Venezuela can't find the dollars to pay for vitally needed goods languishing in its ports, much less afford the largesse that funded Chavez City and other marquee projects that dramatically improved life for Venezuelans once trapped in isolated slums.

For now, residents still go about their daily routines with sleepy smiles, enjoying not only free housing, but other perks ranging from state-organized block parties to subsidized taxi rides. "This must be one of the most beautiful cities in the whole world," said Dallana Alvarado, who works in the schools here and sometimes goes months between visits to the outside world.

High-ranking officials trailed by state television cameras visit these buildings as often as repairmen. "The marvelous dream of our Commander Chavez is alive and well here; his theories have become a reality," President Nicolas Maduro said as he drove a bus through the coastal city last year.

Each of the identical squat 144 stucco-and-brick blocks seems to hum with activity. Barbers-in-training gave out free haircuts on a recent weekday as neighbors strung decorations across the courtyard. Excited 3-year-olds in matching red shirts troop into the sun-drenched preschools every morning, where they learn the basics of reading and are served hot meals.

The city is special in another way, too: Ninety-five percent of voters here supported the socialists in legislative elections last December. That's more than double what the party was able to muster nationwide as Venezuelans punished Maduro for a collapsing economy marked by widespread shortages and triple-digit inflation, as



A woman goes on a water run at a slum outside the utopian community, the Socialist City of Hugo Chavez

well as soaring crime rates.

The newly ascendant opposition, having previously shown little interest in programs for the poor, has vowed to outshine the socialists on their home turf.

After winning a congressional election for first time in 17 years, the opposition is floating as one of its first proposals an initiative that would give public housing residents something that even Chavez denied them: titles to their homes, allowing them to sell and accumulate capital.

People from surrounding communities have begun to make hours-long trips to buy goods like coffee, milk and cooking oil for less than a penny each at the Chavez City supermarket

Julio Borges, the opposition congressman pushing that proposal, said it would allow the poor to save for their future and stand on their own, "ensuring we are a nation of citizens, not slaves."

Grappling with a housing

shortage of more than 2 million units, the government says it has built a million new homes, many in "socialist cities" of which Chavez City is just the largest. Some, built by China, Belarus and other allies, are riddled with infrastructure problems and crime, while others seem to be functioning.

While Chavez City residents don't see themselves as beholden to the government, they aren't exactly climbing into the middle class. Many say they love the city because it allowed them to give up the house cleaning or street vendor jobs they hated. The smooth roads and ample parking lots are empty, as few people can afford cars.

"I'm catching up on 25 years of rest," said Yomilady Segovia, who dropped out of fourth grade to help support her family and spent the next two decades selling coffee and empanadas in a municipal slaughterhouse.

When she got to Chavez City, her favorite thing to do was look out the window at the rain. She and her eight siblings grew up on the banks of a river that would periodically overflow and send them scrambling for safety in higher ground as it washed away their shacks.

"I still can't get over the idea of having to open the blinds to check the weather," she said.

Like many residents, Segovia is used to plenty of attention from weekly reality-TV segments that give hope to those still struggling in the slums.

When she was selected to move to Chavez City, the governor delivered the news himself, surprising her on camera as she drank her morning coffee. He

personally carried her young son into her new, completely furnished apartment. A year later, she still cries recalling the joy of that day.

The government, she is certain, will find a way to keep the outside tumult from threatening her life here. "Chavez City is my future and my children's future," she said.

But the economic chaos engulfing the country is beginning to intrude. Teachers say residents of a nearby shantytown broke in and stole all the toilet handles from the cultural center, presumably to sell for scrap metal; children who come to sing folk songs with a staff of Cuban teachers can no longer use the bathroom there.

People from surrounding communities have begun to make hours-long trips to buy goods like coffee, milk and cooking oil

for less than a penny each at the Chavez City supermarket, which does not suffer from the long lines and empty shelves of most state-run groceries.

And the checkpoint at the city gates has seen waves of protests as everyone from the construction workers who built the development to young mothers who can't afford soaring rents in nearby cities clamor for a spot inside. Even the principals and doctors who work here are looking for a way in.

Some of the angriest petitioners are right on the other side of the city fence, living amid piles of trash and swarms of mosquitoes as they wait for their homes.

The government has been trying for months to demolish their decade-old slum, only to have residents rebuild their shacks overnight from the rubble the government bulldozers leave behind.

Maryorie Celis, 33, lay with her two sons on muddy cots on a sweltering day as her neighbors picked what they could from the rubble left by the bulldozers.

As usual, the talk was of the brilliant white development next door. Some here have lost patience, and say in hushed tones that they voted for the opposition for the first time this December.

But many are still telling their children they'll soon be spending their days in the new playgrounds next door.

"We watched them build it for four years, full of hope," Celis said, clutching a certificate from 2014 showing that she'd completed a civic responsibility course required for residents of public housing. "I know my keys are waiting for me." AP



Resident Jose Manzanares looks out his government-assigned home, in the Socialist City of Hugo Chavez



Fishing boats are tied up at a wharf on the waterfront in Portland

Arctic forum to shine light on climate, energy, Maine

By Patrick Whittle, Maine

A forum about Arctic diplomacy slated to take place in Maine's largest city will focus on issues like climate change and shipping, and put a spotlight on its host, organizers said.

The Arctic Council's Senior Arctic Officials meeting will take place in Portland from Oct. 4-6. Officials from the council's eight member nations, including the United States, and a host of non-governmental organizations will assemble for the midweek event.

The event will also likely focus on the Arctic's indigenous groups and energy issues, said U.S. Ambassador for Oceans and Fisheries David Balton, who will lead the meeting. Balton said the event is

the first time the council has held such a meeting on U.S. soil outside Alaska or Washington, D.C.

It's a big moment for Maine, Balton said. It reflects that U.S. is sending a message that it is an Arctic nation whose interests extend outside far outside of Alaska, and that Maine is a big piece of the puzzle, he said.

"In the state of Maine, it's a way to demonstrate that our issues in the Arctic could very well affect your state," Balton said.

The State Department selected Portland to host the forum. There isn't a formal agenda, but climate change is sure to be a key focus, Balton said. Leaders of the eight nations will discuss what the countries can do to implement pieces of the Paris Agreement, a

global-warming accord adopted by consensus last year, he said.

Dana Eidsness, director of the Maine North Atlantic Development Office, said holding the council meeting in Maine illustrates the state's "long history with the Arctic and our contributions in climate science and ocean ecosystem studies" through entities like Bigelow Laboratory for Ocean Sciences and the University of Maine.

The other member nations of the Arctic Council are Canada, Russia, Sweden, Finland, Norway, Iceland and Denmark. Each country appoints a senior arctic official to the council. America's official is Julia Gourley, who made an appearance in Portland this month. AP

Climate chief expects 80-100 signatures on landmark treaty

THE official in charge of global climate negotiations says between 80 and 100 countries are expected to sign the landmark agreement to tackle climate change reached in Paris in December at a ceremony at U.N. headquarters on April 22.

Segolene Royal, French environment minister and newly-appointed president of U.N.-led climate negotiations, said Friday that more than 30 heads of state and government have already said they will attend signing event. She said invitations signed by U.N. Secretary-General Ban Ki-moon, French President Francois Hollande, and herself are also being sent again to all world leaders.

"I will, of course, work very hard so that we get these 80 to 100," Royal told reporters after meeting Ban. "We might have more which would be fantastic."

Royal said every country has developed a plan to fight climate change and on April 22 they will be explaining what they have done so far.

The Paris Agreement



Segolene Royal

must be ratified by at least 55 countries representing at least 55 percent of global greenhouse gas emissions to enter into force.

It sets a collective goal of keeping global warming below 3.6 degrees Fahrenheit compared to pre-industrial times, and to pursue efforts to limit the temperature rise to 2.7 degrees Fahrenheit.

The pact requires all countries to submit plans for climate action and to update them every five years, though such plans are not legally binding.

Royal said the signing ceremony is one of a series of events designed to keep up the momentum created in Paris when the agreement was reached. AP

ASK THE VET

by Dr Ruan Du Toit Bester



CAT FLU SIGNS AND SYMPTOMS

IT is currently cat flu season here in Macau. Cat flu symptoms are usually caused by the feline herpes virus. These symptoms of cat flu usually include upper respiratory distress. The virus that causes cat flu is not fatal in healthy adult cats. Here's what you need to know about cat sickness from the flu, and its symptoms.

CAUSES OF CAT FLU SYMPTOMS

Cat flu symptoms are generally caused by the feline herpes virus, FHV-1. This virus is very contagious, and can be spread by cats even when they aren't showing symptoms. Once your cat contracts this virus, he'll have it for life.

Feline herpes virus usually causes an initial outbreak of cold symptoms in cats. Once this initial outbreak has passed, your cat's immune system may succeed in suppressing the virus for long periods of time. Symptoms of cat flu could recur if your cat experiences any type of stress or sickness.

Cat flu symptoms might also be the result of feline calicivirus, or FCV. Symptoms of feline calicivirus are similar to those of feli-

ne herpesvirus. However, they also include ulceration of the mouth, tongue, lips, palette and paws. Joint pain may occur and may appear to shift from one leg to another.

COMMON SYMPTOMS OF CAT FLU

Signs and symptoms of a cat sick with the flu include:

- Inflammation of the eyes, leading to conjunctivitis. The eyes become swollen and red; secondary infections could occur, as well as corneal ulcers.
- Nasal discharge and sneezing. Discharge might be thin and clear, but turn thick and green as the disease progresses. Some cats can lose their sense of smell, leading to a loss of appetite.
- Cats with feline herpes virus symptoms may run a fever and become depressed. They may refuse water and suffer dehydration.
- A pregnant cat may lose her kittens if she's infected with feline herpes virus. Kittens born to a mother infected with feline herpes virus may contract

the virus from their mother.

- Cats infected with feline calicivirus may limp, or suffer ulceration of the mouth, tongue, lips, palette and paws.
- Cats with feline calicivirus may experience intermittent joint pain.

TREATMENT OF FLU SYMPTOMS

There's no cure for viral forms of cat flu. However, you can keep your cat comfortable until the outbreak runs its course. The eyes and nose should be bathed frequently in warm water to keep them from becoming clogged with discharge. Eye drops or ointment may be prescribed to treat the symptoms of conjunctivitis.

Antibiotics might be needed to treat the secondary infections that can occur, as a result of the tissue damage done by the cat flu virus. Corneal ulcers should always be examined by a vet. Cats who have lost their sense of smell may lose interest in food; tempt them with strong-smelling foods, such as tuna or sardines.

Often the symptoms of cat flu are mild enough to be treated at home, but severe symptoms may require hospitalization. Dehydrated cats may need to be hospitalized and put on an IV drip to restore fluids to their bodies. Mouth ulcers may cause your cat to stop eating, as they can be quite



painful; in this case, your cat may need to be hospitalised and fed intravenously.

Hope this info helps
Till next week
Dr Ruan

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