Oil company CEO nets $460 million in 2006

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The Occidental Petroleum Corporation officers disclosed last week that Chief Executive Ray R. Irani took home more than $460 million in compensation in 2006. This is one of the highest annual executive payouts ever at a US corporation. Only a few CEOs have ever made more money in one year, including Oracle's CEO Larry Ellison, who received $706 million in 2001, and former Walt Disney Company CEO Michael Eisner, who got $570 million in 1998.

Like many other such large pay packages, much of Irani's compensation came from stock options. He received $270.2 million by cashing in more than 7 million shares from stock options acquired since 1997. Another $45 million from 900,000 shares became payable to Irani in 2006 alone. He collected $93.3 million from a deferred stock program the company discontinued in late 2006, and another $55.6 million in salary, bonus, stock awards, deferred compensation and other benefits.

In justifying Irani's pay, the company cited Occidental's "superior operating performance" and its "exceptional growth in stockholder value."

Occidental's stock price was around $9 at the end of 1990 when Irani succeeded Armand Hammer as chairman and chief executive of the company. In 2003, Occidental's year-end closing price of $42.24 per share was the company's highest in 30 years. The company reported a net income of $1.53 billion—the second-highest annual earnings in the company's history—up 51 percent from 2002. By the end of 2006 its stock had risen to $48.60 a share. The company's market capitalization grew to $42.5 billion at the end of last year from $32.1 billion at the end of 2005.

The rise in Occidental's stock price over the 1990's was due in large part to Occidental's expansion in production from its mostly domestic oil reserves to overseas oil fields in Columbia, Ecuador, Peru, Qatar, Yemen, United Arab Emirates, Oman, and Libya. Changes in US foreign and domestic policy and the rising price of oil were instrumental to Occidental's latter success.

Many of the changes U.S. policy were a direct result of Occidental's connections in government. From 1996 onward, Occidental spent over 9 million in lobbying the U.S. government and gave over $1.5 million in campaign donations from 1995 to 2000.

During the 1990's, under the Clinton Administration, Occidental had benefited from its long standing connection with the Gore family. In 1996, Occidental gave $50,000 in soft money to the Democrats in response to a phone solicitation from Gore, and a total of a half million in soft money donations since 1992. In 2000, Gore received $92,000 from the oil and gas industry, $10,000 of which came from Occidental—number two donor in that category.

The association has paid off for Occidental. In 1995, Al Gore recommended selling the Elk Hills Naval Petroleum Reserve in California. In 1998, US government sold the property to Occidental Petroleum for $3.65 billion, beating out 22 other bidders. As a result of the sale, Occidental's stock price rose by 10 percent.

In 1999, Energy Secretary Bill Richardson hired a longtime Occidental lobbyist, Theresa Fariello, to serve as his deputy assistant secretary for international energy policy, trade and investment. Fariello in the past had lobbied the Energy Department on the company's interests in Colombia, as well as in Ecuador, Russia, Nigeria and Qatar. Richardson had also traveled to Cartagena, Columbia and meet personally with government officials on the behalf on Occidental. The Clinton Administration also gave $1.5 billion in aid to Columbia, with a portion going to the defense of Occidental's oil interests.

The government support for Occidental did not end with the Clinton Administration. In 2002, Bush administration contributed military support to the defense of Occidental's oil pipeline in Columbia. In 2004, Irani announced a deal with Libya shortly after President Bush lifted the embargo on business dealings with the country. Occidental owned a stake in Libya's Waha oil concession and operated there before. Irani quickly arranged high-level meetings with Libyan officials, including the President Muammar Qaddafi, to re-start the revenue stream.

Occidental had been under fire for its huge executive salaries even in previous less profitable years. According to *Business Week*, Irani collected $95 million in a contract renegotiation in 1997. And in 2002, the Occidental CEOs pay more than doubled from the previous year, to $22 million. He took a $63 million paycheck home in 2005.

The enormous payout to Irani is part of a general trend in CEO pay. The Economic Policy Institute reports that over the period 1992 to 2005 the median CEOs pay rose by 186.2 percent, while the median worker's wages increased by only 72 percent. In 2006 CEOs at larger US corporations on average earned $430 for every $1 earned by the average US worker. Twenty-six years ago, CEOs received an average of $10 for every $1 earned by a US worker.

To put Irani's 2006 pay in perspective, his $460 million compensation to this single individual is 9,200 times the salary of an average US oil field worker, which is about $50,000 a year. By way of comparison, the fiscal year 2006 budget for the entire US National Endowment for the Arts was $121 million.

A recent survey of 350 big US corporations by Mercer Human Resource Consulting found that CEO pay continued to rise in 2006, with the median total direct compensation for CEOs rising by 8.9 percent to $6.5 million.

Total direct compensation includes salaries, bonuses, and other annual incentives. Because of new disclosure rules approved by the Securities and Exchange Commission in July last year, companies are now required to disclose other forms of compensation given to the top officials including perquisites, pensions, deferred compensation and stock-option grants. Mercer finds, with these forms of compensation included, the median rises to $8.2 million.

CEOs in the oil and gas industries are compensated the greatest, at a median total direct compensation of $11 million.

The enormous profits of the major transnational corporations and their CEOs, like Irani, come at a great social cost. While Irani personally raked in $460 million as gasoline prices are nearing the $3.00 per gallon mark, a recent Pew poll found that ordinary Americans are finding it harder and harder to get by. Around 44 percent of Americans now say they "don't have enough money to make ends meet," up from 35 percent in 2002