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COVER

2005 IADC Chairman-elect **Edward D Kautz** will continue to work for drilling contractors' interests worldwide, and notes the value of the various IADC initiatives and cooperation between industry trade associations. A profile of Mr Kautz begins on page 12. Global industry outlooks begin on page 16.

**DRILLING
CONTRACTOR**



CAPITAL WIRELINES

Dickerson's efforts help skewer tax on income earned outside US

Brian T Petty, Senior Vice President-Government Affairs

JOBS Bill (Washington)—IADC achieved an important legislative goal in the “JOBS” bill signed by President Bush just before the US Presidential election. IADC US companies operating internationally faced a serious threat in the Senate version of the bill which would have severely curtailed existing benefits for US expats working abroad. **Louisiana Sen Mary Landrieu** had inserted the provision to raise tax revenues to pay for salary increases for US military reservists, principally in Iraq. The impact on US citizens working in international E&P markets would have been catastrophic. As set forth in a letter sent by **Diamond Offshore Drilling Inc** President **Lawrence R Dickerson** addressed to **Congressman Jim McCreery** of Louisiana who sits on the tax-writing US House Ways and Means Committee:

“Diamond Offshore Drilling, Inc, a leading deepwater drilling contractor, owns and operates one of the largest fleets of offshore drilling units in the world. Our company operates in the waters of six of the world's seven continents, supplying comprehensive drilling services to the global market.

“A major expenditure of doing business overseas is expatriate labor, which usually includes cash incentives and fringe benefits, along with a tax reimbursement policy. These pieces of the compensation plan encourage mobility and ensure equity among the employee population.

“The United States is one of the few countries in the world that continues to tax their citizens while they are living and working abroad. The foreign earned income and housing exclusions are tax benefits that help global companies equitably compensate US citizens on an after-tax basis that is comparable to non-US employees. A decrease in the Section 911 exclusion would increase the tax liability of US expatriate employees and thereby increase the reimbursement costs for companies that have tax reimbursement policies. Ultimately, it will make it increasingly difficult for global companies to justify the cost of employing US labor over foreign labor.

“Currently, Diamond Offshore operates a regional office in New Orleans, Louisiana and has 159 employees living in Louisiana's Congressional District 4. When Diamond Offshore is successful in global operations, your district reaps benefits by increased commercial activity and increased revenue from consumers and taxpayers. The ability to compete in the global market will have an impact on the welfare of your state. We therefore respectfully request that you oppose the Senate bill's section 632 which would negatively impact US companies operating in a global market.”

The House version of the bill contained no matching provision. But it remained in play as a significant “revenue raiser”, tied to an emotional cause: the plight of military reservists enduring significant pay cuts for unexpected long tours of duty away from their private sector jobs. Fortunately, letters such as Mr Dickerson's and others from IADC to all members of the Senate and House Conference Committee on the JOBS bill persuaded the lawmakers to drop the provision, and Sen Landrieu has been left to seek other legislative means to fund the reservists' pay raise. ■