



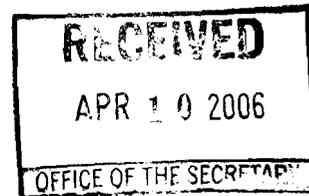
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Vice President

Caterpillar Inc.

Peoria, Illinois 61629

April 7, 2006

Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-9303



RE: Proposed Amendments to Executive Compensation and Related Party
Disclosure Regulations
File Number S7-03-06

Dear Ms. Morris:

I am writing on behalf of Caterpillar Inc. concerning the proposed amendments to the regulations governing the disclosure of executive and director compensation offered by the Securities and Exchange Commission (the "Commission"). For more than 80 years, Caterpillar has been building the world's infrastructure and, in partnership with its dealers, is driving positive and sustainable change on every continent. With 2005 sales and revenues of \$36.339 billion, Caterpillar is the world's leading manufacturer of construction and mining equipment, diesel and natural gas engines and industrial gas turbines. The company is a technology leader in construction, transportation, mining, forestry, energy, logistics, financing and electric power generation.

Caterpillar supports the purpose and overall concept of the proposed regulations. We believe that full disclosure of compensation, in a meaningful and easily understood format, is essential to a healthy market. Furthermore, we believe that such disclosure will better demonstrate the link between compensation and performance. Caterpillar also generally supports the details of the proposed regulations. However, there are three specific areas in which we believe that new disclosure requirements created by the proposed regulations would be counterproductive to the goal of meaningful disclosure.

Status of Compensation Discussion and Analysis

The proposed regulations would replace the Compensation Committee's report, which under current law is not considered part of the proxy statement that is "filed" with the Commission, with a Compensation Discussion and Analysis section (the "CD&A"). The effect of this change is that pursuant to Section 302 of the Sarbanes-Oxley Act, the principal executive officer (the "PEO") and principal financial officer (the "PFO") of the issuer must certify the accuracy and completeness of the CD&A, and may be subject to personal liability under Section 18 of the Securities Exchange Act of 1934.

It is unreasonable and inequitable to require the PEO and PFO to certify the accuracy of an analysis of the basis for decisions relating to their own compensation. In order for the PEO and PFO to certify the accuracy of the CD&A, they will need to participate in compensation discussions, which may be contrary to the rules of the NYSE, and tax and securities law provisions, that require compensation decisions to be made by an independent committee.

The goal of recent corporate governance initiatives has been to provide more control over the compensation process by independent directors, not to require more management participation in the process, which would result from this regulatory change. While we appreciate the Commission's desire to provide more meaningful disclosure of the compensation process than is currently being provided in the Compensation Committee report, the way to accomplish that is to directly regulate the required content of the report, not to impose personal liability on officers who are not – and should not be – in control of the process.

Inclusion of Equity Awards in Total Compensation.

The proposed regulations would create a new “Total Compensation” column in the Summary Compensation Table, which includes the amount of cash compensation received by the officer and the estimated value of equity awards, determined at the date of grant, whether or not vested. While we can appreciate the goal of providing investors with the total compensation of officers, the inclusion of both cash and equity awards essentially combines apples and oranges, and will produce a number that is misleading and confusing.

In addition, the inclusion of equity awards in total compensation at their grant date value may skew the compensation process, particularly since cash incentive awards with performance conditions are not reported until they are actually paid. The goal of the disclosure regulations should be to create a level playing field, in which all forms of compensation are reported fairly, rather than to give issuers an incentive to use one form of compensation instead of another because it looks better in their summary compensation table.

The bottom line is that cash compensation and equity awards are inherently and substantively different, and need to be reported separately to create an accurate disclosure. Cash compensation and equity awards should not be combined to create an artificial and ultimately meaningless “total compensation” number.

Inclusion of Elective Deferred Compensation in Deferred Compensation Table

The proposed regulations would create two new tables summarizing retirement and deferred compensation arrangements. The second table, for nonqualified defined contribution and other deferred compensation plans, includes the officer's own contributions to a voluntary deferred compensation arrangements in column (b). However, these same amounts are already disclosed in either the base salary or bonus columns in the summary compensation table.

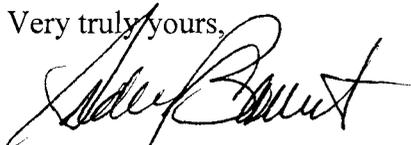
Caterpillar Inc.

Including the officer's own elective deferrals in the deferred compensation table amounts to double counting the same compensation. It is likely to be confusing and misleading, and does not provide any additional information that is necessary or even helpful to investors.

The proposed regulations attempt to address the confusion caused by the duplicative disclosure by requiring footnote explanations in both the summary compensation table and the deferred compensation table. However, the effectiveness of those explanations depends on a reader's desire to look beyond what appear to be clear (but are actually distorted) compensation numbers to read the fine print in the footnotes. The only effective way to eliminate the confusion is by not double counting to begin with. Accordingly, if the new deferred compensation table remains in the regulations, we recommend that it include only amounts funded by the issuer.

If you have any questions about these comments, please contact me at (309) 675-5222.

Very truly yours,



Sidney C. Banwart
Vice President, Human Services Division

cc: Hon. Christopher Cox, Chairman, U.S. Securities and Exchange Commission
Hon. Paul S. Atkins, Commissioner
Hon. Roel C. Campos, Commissioner
Hon. Cynthia A. Glassman, Commissioner
Hon. Annette L. Nazareth, Commissioner