

**[Board of Directors, Energy Security Corporation, 5/27/80]**

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THE WHITE HOUSE  
WASHINGTON

27 May 80

Jack Watson  
Arnie Miller

The attached was returned in  
the President's outbox today  
and is forwarded to you for  
appropriate handling.

Rick Hutcheson

3022

THE WHITE HOUSE  
WASHINGTON

Jack - There's no  
doubt about Shapiro  
& Cary - Check with  
them first - re avail-  
ability - Then let's move  
5/19/80 further if  
necessary -  
J

MEMORANDUM FOR THE PRESIDENT

FROM: JACK WATSON *Jack*  
ARNIE MILLER *AM*

SUBJECT: Board of Directors, Energy Security Corporation  
(ESC) - RAS

We expect passage of the bill creating the ESC to occur in early June. The bill will mandate a seven-member bi-partisan Board of Directors: a full-time Chairman and Chief Executive Officer, and six other directors who may be either full-time or part-time.

Because we have not wanted to jeopardize the progress of the legislation, we have restricted ourselves to consultations within the Administration. We have worked with Bill Miller, Charles Duncan, Cecil Andrus, Harold Brown, Philip Klutznick, Graham Claytor, Stu Eizenstat, Sol Linowitz, Frank Press, Lloyd Cutler, John White of OMB, Frank Pace, Clark Clifford, Hedley Donovan, Bob Strauss, Charlie Schultze, Al McDonald, and Anne Wexler. They have helped us to develop the criteria, identify candidates, and assess the candidates against the criteria.

The criteria are discussed in Appendix 1 to this memo. Assessments and background data concerning candidates appear in Appendices 2 and 3.

We have developed a list of candidates for the Chairmanship. Some of them have expressed interest in the position. Our recommendations in order of preference are: Irv Shapiro, Frank Cary, Fletcher Byrom, and Bob Charpie. The rationale for our recommendations is developed in the assessments at Appendix 2.

We have also developed a strategy for approaching the leading candidates which will enable us to act swiftly and effectively.

We have asked Reg Jones, of GE, to join us in developing and executing this plan. He is ideal because he knows most of the candidates personally, understands the requirements of the job, and commands enormous respect in the business community. Reg has told us that he is willing to help us and is reviewing our material.

Our plan is to recommend a Chairman to you before recommending people for the other six directorships. Our work on candidates for the other six positions is well advanced. We want, however, to do more research before presenting a report on them to you. We expect to have such a report completed within two weeks. Reg Jones is willing to help with these positions also.

If we can move expeditiously with this plan, we would hope to have your decision for Chairman and perhaps some of the Directorships for announcement when you sign the bill in June. Our aim is to have the Board of Directors confirmed by August 7th, when the Senate recesses for the Democratic Convention.

RECOMMENDATIONS

That you allow us to approach the target group of four candidates in the order suggested (i.e., Irv Shapiro, Frank Cary, Fletcher Byrom, Bob Charpie).

\_\_\_\_\_ approve \_\_\_\_\_ disapprove

Comments \_\_\_\_\_  
\_\_\_\_\_

That you allow us to use Reg Jones as our key recruiter.

✓ \_\_\_\_\_ approve \_\_\_\_\_ disapprove

Comments \_\_\_\_\_  
\_\_\_\_\_



## APPENDIX 1. - CRITERIA

### 1.1 CRITERIA FOR THE CHAIRMAN

The criteria for the Chairman are shown as Exhibit A, following this page. They emphasize skills in four main functional areas:

- high technology management
- investment management
- institution building
- political acumen in dealing with the Congress, Federal agencies, constituency groups, and the media.

When we began to define the criteria, we conceived of the ESC primarily as an investment bank and emphasized investment management skills. However, as we talked with your Cabinet members and advisors, our opinion changed. There is unanimity among them and us that high technology management skills deserve a higher priority than investment skills. As Bill Miller put it: "If your projects are badly conceived technically, you can have the best investment banking arrangements in the world and you can end up with nothing. If you have projects which are well conceived technically, and your investment banking arrangements are less than optimum, you still come out with something of value."

The ESC will be operating in a highly political environment. Its leadership will need political skills of a high order if the ESC is to accomplish its missions amid the heavy and often conflicting pressures applied by the Congress, constituency groups, other Federal agencies, and the media.

Our goal is to find a truly outstanding high technology manager who also has the skills to succeed in a complex political world. He or she must be someone who has risked large amounts of money successfully on complex products and processes while at the same time attaining a good understanding of how Washington works.

### 1.2 CRITERIA FOR THE OTHER DIRECTORS

The criteria for the other Directors should not differ essentially from those for the Chairman. We would seek among the other Board Members a mix of characteristics which would supplement and balance those of the Chairman. The Board as a whole should represent a healthy blend of high technology management, investment management, institution building skills, governmental know-how, and geographical representation.

Several of the people we are considering are candidates both for Chairman and for regular Board Member, while others would fit the regular Board Member category only. It is therefore likely that we will recommend that one or more of the regular Board seats be filled by those whom we considered for the Chairmanship but whom you did not select for that post.

## CRITERIA

CHAIRMAN OF THE ENERGY SECURITY CORPORATION

- Someone who is an institution builder -- a person who can soundly construct a corporation which could become the largest in U. S. history in terms of assets.
- Someone who has had outstanding success in committing large sums of money based on risk/reward assessments.
- Someone who is skilled in financial negotiations and in dealing in the major types of financial instruments (e.g., bonds, direct loans, loan guarantees, equity participations, purchase agreements).
- Someone who has either:
  - successfully managed new high technology processes and products, or
  - demonstrated a thorough understanding of this type of management.
- Someone who would be able to operate effectively with the Congress, the White House, and the Federal agencies and who would have their respect.
- Someone who can effectively build support with the general public and with key constituency, private industry, and media groups.
- Someone who can develop and execute an energy strategy for the ESC which will balance a broad range of public needs. For example:
  - to create new energy industries which will prove viable in an intensely competitive environment
  - to get the private sector to increase the production of synfuels vastly by 1992
  - to protect the environment on Federal and other lands which contain the synfuel raw materials.
- Someone who can attract people of outstanding ability to key positions throughout the ESC.
- Someone who is energetic and who can make a maximum effort over several years to build a successful corporation.
- Someone who has a record of social responsibility and an untarnished reputation.
- Someone whose record of success is unquestioned.



APPENDIX 2 - ASSESSMENTS OF LEADING CANDIDATES  
FOR CHAIRMAN

Our top choices in order of preference are: Irv Shapiro, Frank Cary, Fletcher Byrom, and Bob Charpie. They are discussed in the paragraphs which follow.

1. IRV SHAPIRO - Chairman of the Board and CEO, duPont, Wilmington, Delaware

Irv Shapiro (63) has an ideal combination of talents for the ESC Chairmanship. He is a tough, successful manager who is used to taking risks in the hundreds of millions of dollars on high technology projects. He has tremendous prestige in the business community and has demonstrated sophisticated political skills.

Shapiro earned a reputation as an outstanding attorney during eight years at the Justice Department prior to joining duPont's legal staff in 1951. Before taking on general management duties, his biggest assignment was duPont's divestiture of GM stock, which involved successful lobbying for legislation on Capitol Hill. He became Chairman and CEO in 1974, the first non-duPont to head the firm. He has provided strong, successful, and public-spirited leadership since 1974. Shapiro is a past Chairman of the Business Roundtable and also serves on the Conference Board, the Ford Foundation, and several corporate boards including Citicorp and IBM.

Although Shapiro has declined other Administration positions, we believe the national importance of ESC dictates that we approach him for this job.

2. FRANK CARY - Chairman of the Board, IBM, Armonk, New York

Frank Cary (59) has held positions of increasing responsibility with IBM since 1948, becoming Chairman and CEO in 1973. Cary has an outstanding success record in high-technology risk-taking involving hundreds of millions of dollars, and his general management skills are said to be superb. He is familiar with the Washington environment and his appointment would be strongly supported by the business community, where his prestige is very high. IBM has a small, centralized core of decision-makers and Cary has played a very strong role in determining IBM's course. Although he is not as dynamic as other candidates, he convinces by the strength of his arguments and his grasp of the facts. Cary is a past Chairman of the Conference Board and also serves on the Business Roundtable, the Brookings Institution and the boards of Morgan Guaranty, ABC, and Merck.

Cary faces mandatory retirement in December and is now considering career options. His wife, Anne, reportedly will play a major role in his deliberations.

3. FLETCHER BYROM - Chairman of the Board and CEO, Koppers' Company, Inc., Pittsburgh, Pennsylvania

Fletcher Byrom (61), a metallurgical engineer, joined Koppers in 1947 after two years with American Steel and Wire Company, and a five-year Navy career. He was associated with the Tar Products Division of Koppers for 11 years. In 1968 he was named CEO and has been Chairman since 1970. Byrom has a reputation as an excellent manager and an innovative thinker and problem-solver. Koppers' per share earnings have increased over six-fold since 1970. Much of this growth is attributed to Byrom's success in high technology risk-taking and his insistence on eliminating unsuccessful operations. He is also credited with changing Koppers from a rigid organization to a more flexible, incentive-oriented company. Many of Koppers' chemical operations are similar to the process-oriented synfuels technologies.

He has a strong background in public service; he has participated in regional governmental groups, has served as Chairman of the Conference Board, and is currently Chairman of the Committee for Economic Development. Although he does not have the prestige of Irv Shapiro or Frank Cary, the impact in the business community of Byrom's appointment would be strongly positive. He is not well known in Washington, and has little direct government experience.

We have heard that, after 12 years as a CEO, Byrom may be seeking another major challenge.

4. ROBERT CHARPIE - President and CEO, Cabot Corporation, Boston, Massachusetts

Robert Charpie (54), a physicist, rose to become Director of the Reactor Division at the Oak Ridge National Laboratory. He left there in 1961 for Union Carbide, where he held positions of increasing responsibility, and served as President of the Electronics Division for two years. From 1968 to 1969, he was President of Bell & Howell Company.

Since 1969, he has been President and CEO of Cabot Corporation, a high-technology, process industry company which is heavily involved in compounds from coal, and oil and gas products. Under Charpie's leadership, Cabot has developed a highly profitable energy business. Charpie is credited with making key decisions which turned the company in successful new directions. He is regarded as an excellent manager, but is not widely known in the business community. He would be a vigorous, articulate spokesperson for ESC. He is public-spirited, having served on the National Science Board, and as an advisor to you on the NASA Space Shuttle problems. Charpie cannot be considered a candidate for one of the six part-time Director positions because Cabot's energy operations would pose serious conflict of interest problems. Charpie is familiar with the Washington environment. He is Chairman of the Mitre Corporation and a Director of Honeywell, the First National Bank of Boston, Champion International, and General Cinema.



APPENDIX 3 - BACKGROUND DATA CONCERNING CANDIDATES  
FOR CHAIRMAN

This Appendix contains data about the following individuals:

Irving Shapiro

Frank Cary

Fletcher Byrom

Robert Charpie.

IRVING SAUL SHAPIRO  
Delaware

EXPERIENCE

1951 - Date	<u>E. I. duPont de Nemours &amp; Company, Inc.</u>
1974 - Date	Chairman of the Board and Chief Executive Officer
1973 - 1974	Vice Chairman of the Board
1970 - 1973	Vice President
1951 - 1970	Various legal and management positions
1943 - 1951	Attorney, Criminal Division, Department of Justice

OTHER ACTIVITIES

Director:	Bank of Delaware Citicorp Citibank IBM Continental American Insurance Co.
Member:	Advisory Council on Japan-U.S. Economic Relations U.S.-USSR Trade & Economic Council Business Council Business Roundtable The Conference Board The Ford Foundation

EDUCATION

1941	University of Minnesota, LL.B.
1939	University of Minnesota, B.S.

PERSONAL

White Male  
Age 63  
Democrat

COMMENTS ON IRVING SHAPIRO

Clark Clifford: Knows Washington very well. Is a tough, spirited, splendid person.

Harold Brown: A+.

Graham Claytor: Knows him very well. Excellent.

Sol Linowitz: A+.

Bill Miller: A+.

Lloyd Cutler: Terrific. Knows "process" technology. Knows government. Closest to the President of the leading candidates.

Bob Strauss: A+. Probably no interest.

Frank Pace: Best among the major candidates. Keener sense of politics than Cary. Would have preferred DeButts to both of them, but DeButts won't take it.

Hedley Donovan: Best of the leading candidates.

Al McDonald: Wouldn't take the job.

Anne Wexler: Would make a great choice. Already endorsed the President.

Phil Klutznick: A+.

FRANK TAYLOR CARY  
New York

EXPERIENCE

1948 - Date	<u>International Business Machines</u>
1973 - Date	Chairman of the Board
1971 - 1972	President
1967 - 1971	Senior Vice President
1966 - 1967	Vice President, General Manager, Data Processing Group
1964 - 1966	President, Data Processing Division
1948 - 1964	Various management posts

OTHER ACTIVITIES

Director: Morgan Guaranty Trust Company of New York  
Merck & Company  
ABC

National Chairman: Junior Achievement

Trustee: Brookings Institution  
American Museum of Natural History  
Museum of Modern Art

Member: Business Council  
Business Roundtable  
Conference Board

EDUCATION

1948	Stanford University, M.B.A.
1943	U.C.L.A., B.S.

PERSONAL

White Male  
Age 59

COMMENTS ON FRANK CARY

Clark Clifford: Excellent.

Harold Brown: A+.

Graham Claytor: Superb manager.

Sol Linowitz: A+.

Bill Miller: A+.

Stu Eizenstat: Best you could get.

Lloyd Cutler: Retiring this year at 60. He is everything we need. Could be interested.

Bob Strauss: A+. No interest whatsoever.

Frank Pace: Such superb team support at IBM that it's very tough to gauge his role. We need to do able research on this.

Hedley Donovan: Number 2 among the leading candidates. Shapiro is Number 1.

Al McDonald: By far the best of the leading candidates. Broad experience, young, strong. Lots of technical involvement, lots of risk taking.

Anne Wexler: Excellent.

Phil Klutznick: A+.

Jim McIntyre: Outstanding; don't know if the President knows him.

FLETCHER LAUMAN BYROM  
Pennsylvania

EXPERIENCE

1947 - Date      Koppers Company, Inc.

1970 - Date      Chairman  
1968 - Date      Chief Executive Officer  
1960 - 1967      President, Director,  
                         Chief Administrative Officer  
1958 - 1960      Vice President, General Manager

Tar Products Division, Koppers Company, Inc.

1955 - 1958      Vice President and  
                         Assistant General Manager  
1954 - 1955      Assistant Vice President,  
                         Manager of Operations  
1947 - 1954      Assistant to General Manager

1942 - 1947      Procurement and Administrative Coordination,  
                         Naval Ordnance Laboratory,  
                         Bureau of Ordnance and Research Planning Board,  
                         U. S. Navy Department

1940 - 1942      Sales Engineer,  
                         American Steel and Wire Company

OTHER ACTIVITIES

Director:              Ralston Purina  
                         Continental Group, Inc.  
                         North American Philips Corporation  
                         Mellon National Corporation  
                         ASARCO (formerly American Smelting and Refining Co.)

Member, Board of Directors:  
                         Regional Industrial Development Corporation  
                         Pittsburgh Regional Planning Association  
                         Allegheny Conference on Community Development

Member:                The Conference Board  
                         Committee for Economic Development (Chairman)  
                         Business Council

EDUCATION

1940                    Pennsylvania State University, B.S. (Metallurgy)

PERSONAL

White Male  
Age 61

COMMENTS ON FLETCHER BYROM

Graham Claytor: Knows him well as a supplier and a customer from Southern Railway days. Very strongly recommended. A truly outstanding man.

Sol Linowitz: Very good. Should be high on our list.

Bob Strauss: B+. May not be interested.

Frank Pace: Very bright, very able. May lack political sophistication.

Hedley Donovan: Very vigorous. Very bright.

Al McDonald: First class. Very public spirited.

Bill Miller: Outstanding. Would be a very good choice.

Phil Klutznick: Should be considered seriously. Excellent.

ROBERT CHARPIE  
Massachusetts

EXPERIENCE

1969 - Date President, Director, Cabot Corporation  
1968 - 1969 President, Bell & Howell Company  
Union Carbide:  
1966 - 1968 President, Electronics Division  
1964 - 1966 Director, Technology  
1963 - 1964 General Manager, Development Department  
1961 - 1963 Manager, Advanced Development  
Oak Ridge National Laboratory:  
1958 - 1961 Director, Reactor Division  
1954 - 1958 Assistant Research Director  
1952 - 1954 Technical Assistant to Research Director  
1950 - 1952 Scientist  
1947 - 1950 Westinghouse Electric Corporation

OTHER ACTIVITIES

Director: First National Bank, Boston  
Champion International Corporation  
Honeywell, Incorporated  
General Cinema Corporation  
Trustee: Carnegie-Mellon Institute  
Mitre Corporation (since 1972, Chairman)  
1969 - 1976 Member, National Science Board  
1965 - 1967 Chairman, Invention & Innovation Panel,  
U.S. Department of Commerce  
1959 - 1963 Secretary, General Advisory Committee,  
Atomic Energy Commission

EDUCATION

1950 Carnegie Tech, D.Sc. (Theoretical Physics)  
1949 Carnegie Tech, M.S.  
1948 Carnegie Tech, B.S. (with Honors)

PERSONAL

White Male  
Age 54

COMMENTS ON ROBERT CHARPIE

Frank Press: As good as you can get. A risk-taker, an outstanding scientist with an energy background, a business leader. Forceful and articulate. Knows Washington.

John Sawhill: Able businessman and scientist. May be too forceful for the Washington political environment.

John White: A good choice. Very able and articulate. Did an excellent job on the space shuttle problem.

Harold Brown: Well-qualified technically. Has lots of industrial experience. Somewhat overconfident, but able.