



## John Stancavage: How was new Hertz CEO selected?

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Tulsan Scott Thompson likely feels like a driver who was leading a long race, only to get nosed out at the finish line.

On Thursday, Hertz named former United Airlines President John Tague as CEO, replacing Mark Frissora, who stepped down from the rental car company amid accounting problems in September.

Thompson had been talked up for the job by Jana Partners, a hedge fund that holds an 8 percent interest in Hertz, as well as some market analysts.

But it appears another activist group, Icahn Enterprises, also an 8 percent stakeholder, may have made the call on the next person to steer the rental-car company.

The firm, headed by billionaire investor Carl Icahn, holds two seats on the Hertz board. Those two directors were on the five-person search committee, and worked with a global executive search firm.

In a telling detail, the press release announcing Tague's hiring featured a quote from Icahn, but not comments from Jana or other investors.

“The committee performed an extensive search for the CEO position before the committee and the board unanimously selected John Tague as the next CEO of Hertz,” Icahn said.

“I have been involved in a number of CEO searches during the last decade and have been quite impressed by the knowledge and imagination of a number of these candidates, many of whom have turned into very successful CEOs.

“I am happy to say that after listening to John’s ideas concerning Hertz and evaluating what he has accomplished at United, I believe he ranks at or near the top of the group.”

Thompson, who was running Tulsa-based Dollar Thrifty when Hertz bought the company for \$2.3 billion in 2012, acknowledged in an email he sent me that Icahn probably had a lot of influence on the choice. Since DTAG’s sale, Thompson has kept a low profile while looking for another challenge.

“Mr. Icahn’s unequalled track record for picking the right people for the right job speaks for itself,” Thompson told me.

“Combined that with the fact the Hertz CEO search was conducted by a world-class executive search firm and the only reasonable conclusion is they got the right person, and the company should return to its proper position as an industry leader in financial performance and innovation.”

Icahn and Jana did not return phone calls Friday seeking additional comment.

It appears that Tague’s experience at a major airline may have powered him past Thompson, who dramatically brought Dollar Thrifty back from a sub-\$1 stock price and near bankruptcy to be the success story of the industry.

Even after its change in fortunes, though, Dollar Thrifty still was the No. 4 car-rental firm. Tague, despite having no experience in the rental industry, may have earned points for his familiarity with a big-scale transportation business, some analysts said.

“While most on the buy-side seemed to be enamored with the prospects of bringing a certain former rental-car company CEO back to the industry, our familiarity (through our airline coverage) with what is required of the president and COO at a large, complex, global airline leads us to believe that the selection of Mr. Tague will prove over time to be a prudent choice,” Fred Lowrance, an analyst with Avondale Partners, wrote in a research note.

Some Tulsans, including Dollar Thrifty employees, had been rooting for Thompson to get the job. He was well regarded during his time as CEO of DTAG, and impressed civic officials by staying in town after the Hertz acquisition.

There also was some hope that he could improve Dollar Thrifty’s deteriorating situation in Tulsa. Since Hertz bought the company, it has slashed local employment to just a few hundred — down from about 750 — and put DTAG’s three-building headquarters up for sale.

The moves are connected to cost streamlining by New Jersey-based Hertz and its plan to consolidate at a new \$70 million HQ complex being constructed in Estero, Florida.

According to sources, many of the Dollar Thrifty employees who have been offered jobs in the Sunshine State have declined, citing a higher cost of living. This has caused a brain drain at Dollar Thrifty and eliminated some good-paying jobs Tulsa had enjoyed.

In the final analysis, Thompson may not have been as well known by Icahn's people as Tague, Tulsa money manager Fred Russell said. Icahn gained experience in the airline industry with his takeover of TWA in 1985.

"I think their choice was understandable, but probably a mistake," said the analyst, principal of Fredric E. Russell Investment Management.

"I think Thompson's credentials are better than Tague's. For one thing, Tague was praised by Hertz for his improvements in customer service at United, and I think that airline's service has been abysmal."

Thompson, meanwhile, presumably will go back to looking for another opportunity. The executive has told me several times he's not planning to stay retired and would like to start a business in Tulsa or move one here.

When I tried to probe further during our email conversation Friday, he declined to speculate.

"Let's move on and I will find something in the future that will be more interesting," he said.



Hertz Global Holdings Inc. sign is displayed in San Francisco. The company named John Tague as its new CEO on Thursday. Bloomberg file