

Oil Inquiry May Put Simon on Spot

By Jack Anderson

Energy director William Simon has ordered an investigation into soaring oil profits. This may put him on the spot with President Nixon, whose re-election was heavily financed by the oil barons.

We traced the oil contributions through the maze of campaign committees, which the Nixon crowd deliberately created to thwart such a search.

We reported on Dec. 2 that at least \$5 million had been poured into the President's campaign coffers from oil and gas sources. Our findings were confirmed a month later by a congressional study, which independently came up with the same figure.

It is a fact of politics that no industry will shower a candidate with \$5 million in government green, without expecting a return on the investment. Although Simon has distinguished himself as a straightforward public servant, it will take a political miracle to get him to condemn oil profits.

Therefore, we have conducted our own investigation into oil profits. We have had access to corporate papers, which were never intended to be read outside the executive suites. These

show that the big oil companies, indeed, are milking the oil shortage for higher profits. Here's how it is done:

- Aramco, the huge oil consortium, is draining every drop of oil it is permitted to pump out of the rich Saudi Arabian fields but is putting back as little development money as possible. The company expects its oil works to be nationalized and, therefore, doesn't want to open new fields for the Saudis to take over. Classified corporate documents also say higher profits are needed to justify the huge sums required to increase production.

- The Persian Gulf countries have increased their oil income by doubling the taxes and royalties from \$3.05 to \$7 per barrel. The oil companies are allowed to charge off these payments, dollar for dollar, against their U.S. taxes. Yet the companies have simply added the overseas tax increases to the price of oil. In effect, the consumers are paying for the markup at the Persian Gulf, but the companies will take the credit on their U.S. returns.

- The oil companies are using the shortage as an excuse to cut back products that are vital to others but not particularly profitable for themselves. More than

3,000 petroleum products are now on the market. But confidential corporate papers say the oil companies no longer intend to be a "drug store" for every product their customers want.

- The major oil firms are also closing their less profitable gas stations and putting the squeeze on independently owned stations. Thereby, the oil shortage is actually increasing the profits that the big companies are collecting from their retail outlets.

We spoke to representatives of the oil industry to get their side of the story. They said the rise in profits last year, figured in percentages, seemed high because it had been so low in previous years. The long-term gains, they insisted, have not been great.

Some spokesmen claimed their companies could not deduct the entire amount of the Persian Gulf markup from their U.S. taxes, because they don't pay enough taxes in this country to take full advantage of the allowance.

As for political influence, spokesmen for the big companies swore it's the small, independent producers which have the most clout in Congress. The New England delegation, in

particular, serves as a pressure group for the independents, charged spokesmen for the majors.

Secretive Pair — Howard Hughes' choice of the Xanadu Hotel in the Bahamas as his newest hideaway wasn't dictated by mere whim. There has been a longstanding secret link between the phantom billionaire and the international shipping magnate who owns the hotel.

The owner is D. K. Ludwig, who is reported to be both as wealthy and as secretive as the elusive Hughes. Back in 1969, Ludwig initiated a meeting with Hughes to discuss merging some of their talents and some of their millions.

According to our sources, the meeting was finally held on Aug. 2, 1969, at the International Hotel in Las Vegas. Ludwig quickly got to the point. He wanted to manage all of Hughes' hotels and casinos. Hughes agreed to think it over. There is no available record that he ever responded.

But now that Hughes is staying in Ludwig's hotel to avoid extradition to the United States, two of the world's richest recluses may once again sit down and talk business.