THE ADMINISTRATION

Cutting Back on Candor

It was a sad end to a bad year for Richard Nixon. He had launched Operation Candor in the fall of 1973 to try to regain credibility by revealing information about himself and his activities. There were the inconclusive chats with groups of Congressmen about his role in Watergate, the televised press conference at Disney World with managing editors, and the release of information about his income tax returns. But the operation was too little, too late; each move only seemed to raise more questions. Finally, the President decided to cut back on Candor.

During his talks with the Congressmen, Nixon had indicated that he would be willing to make public the substance of the celebrated presidential tapes concerning the Watergate burglary that he had turned over to Federal Judge John J. Sirica. The tapes contain key conversations between the President and such former top aides as John Dean, John Ehrlichman and H.R. Haldeman. Last week the White House decided not to release the summaries. The main reason was fear that the tapes might link the President closer to Watergate. Top White House aides readily admit that the tapes include "ambiguities" about the President's role.

Glaring Blase. To justify withholding the summaries of the tapes, the White House argued that the inconclusive material would somehow be "misused" against the President. As a glaring example of such misuse, the White House cited the recent case of Attorney General William Dobrovic. He entertained a gesture to ease the energy crisis with a symbol of conspicuous nonconsumption. Instead of traveling in Air Force One, the President, Wife Pat, Daughter Tri-
ing at 4 a.m., the entourage moved into
four top-floor suites of the Xanadu Prin-
cess Hotel. Among its attractions is that
it is in a country that recently refused
to extradite Financier Robert Vesco to the
U.S. to stand trial on an indictment
for using telephone services to carry out
a fraud—one of the violations that
Hughes is now charged with.

The case centers on Hughes' cam-
paign to acquire Air West Inc. (since re-
named Hughes Air West), a line serv-
ing eight Western states and parts of
Mexico and Canada. The government
charged that Hughes and associates con-
spired to manipulate the price of the
company's stock up and down by,
among many other things, flooding the
market with large holdings in an illegal
effort to scare its directors to terms.
Hughes was charged with seven viola-
tions carrying a maximum prison sen-
tence of 28 years and $34,000 in fines.

Besides Hughes and Maheu, who
was ousted in an epic power struggle
two years ago, those indicted were:

Chester Davis, Hughes' longtime
No. 1 attorney and chief counsel of Sum-
ma Corp., the umbrella organization
that holds the casinos, Hughes Air West,
Hughes Aircraft Co. and nearly all of
Hughes' other properties.

David B. Charnay, president of
Four-Star International Inc., of Beverly
Hills, a television production company;
he became acquainted with Hughes
when the billionaire was expanding his
television network in the late '60s.

James H. (Herb) Nall, a Hughes of-
official in charge of land acquisition.

Named as co-conspirators but not
indicted were Herman (Hank) Green-
span, publisher of the Las Vegas Sun
and a longtime Hughes booster, and
George Crockett, an old Hughes friend.

Hughes became interested in Air
West, which was in financial difficulty
in 1968. He was opposed by a faction
on the board of directors who insisted
that Hughes' tender offer of $22 per
share was too low. Indeed, even after
stockholders approved a sellout to
Hughes at that price, the board voted
13 to 11 to refuse. At that point, the Gov-
ernment charges, Hughes and his cro-

nies put into motion their strategy.

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Two large blocks of stock were
owned by Greenspun and Crockett. Ac-

ording to the indictment, Maheu urged
Crockett to sell his Air West holdings
assuring him that he would be "made
whole" for any losses. Similarly, accordin
g to pretrial testimony in the Maheu
case, Greenspun was assured by an
associate of Maheu that "Mr. Hughes
isn't going to let you get caught holding
the bag" by selling Air West stock at a

Government charges, Crockett, Green-
span and Charnay unloaded 46,000
shares of Air West stock, or slightly
more than 1% of all the shares outstand-
ing. The stock's price skidded from a
high of 20 in mid-December to 15; on
December 31, the Government
charges, the Hughes group harassed re-
calitran board members by filing law-
suits against them. Finally, six of the 13
board opponents changed their votes, and
Hughes' offer was accepted.

Approved Application. That did
not settle the matter. Under federal law
the President of the U.S. must decide
that changes in the ownership of Amer-
ican international carriers are in the
"national interest." Considering his
troubles at TWA plus an even more
checkered career as controlling share-
holder of Northeast Airlines from 1962
to 1964, Hughes did not seem the ideal
candidate for sole proprietorship of Air
West. Even so, Nixon approved Hughes'
application in April 1970.

By coincidence or not, a Hughes
lieutenant by then had already made one
of the celebrated $50,000 cash "contri-
butions" that were held for Republican
campaign funds by Nixon's pal Bebe
Rebozo; the second $50,000 payment
was delivered the following July. Rebo-
zo claims that he held the money for
three years and eventually returned the
same bills to Hughes representatives.
That story, as well as the Air West deal
and other legal matters involving
Hughes, is under investigation by the
Senate Watergate committee.

For Air West stockholders, Hughes'
arrival turned out to be anything but a
smooth ride. Though no wrongdoing has
yet been proved, Hughes' bookkeepers
declared Air West a "non-going utili-
ty," meaning that the carrier had a neg-
ative net worth. Since Hughes' offer stip-
ulated that his final purchase price for
the stock would depend on the compa-
y's net worth, he claimed that the price
should be far less than he earlier had
agreed to. Instead of collecting the $22
per share that they had expected, Air
West stockholders—some of whom have
filed suit against Hughes—wound up
selling their shares for about $11 each.