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Troubled Public Relations Firm

By Gary Lee
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Battered by low morale and a dramatic loss of clients and senior staff, public relations giant Hill and Knowlton yesterday announced that Howard Paster has been named general manager of the firm's Washington office.

Paster, executive vice president of the Washington lobbying firm Timmons & Co., replaces Robert Gray, who headed the Washington office for the past six years. Paster will also hold the title of chairman of public affairs.

"Hill and Knowlton is a venerable name," Paster said yesterday. "There is no reason why the Washington office can't reach to the levels to which the founder aspired."

Hill and Knowlton is known for its political connections and its powerful and controversial list of international clients, which have included the governments of Turkey, Chi-

na and Haiti, as well as the scandal-ridden Bank of Credit and Commerce International.

The firm received much publicity after the Kuwaiti government-in-exile hired it in August 1990, shortly after the Iraqi invasion, to mobilize support for military action against Iraq. Hill and Knowlton reportedly was paid \$10 million for the work.

The public affairs position was previously held by Craig Fuller, who left the firm earlier this month to work for Philip Morris Cos. Fuller was chief of staff to then-Vice President Bush from 1985 to 1988 and served as chairman of the Republican National Convention last week in Houston.

As general manager, Paster will replace Dale W. Snape, who had been filling the job temporarily. Snape will now return to his previous position as managing partner of The Wexler Group, a Hill and Knowlton subsidiary.

Before coming to Timmons & Co. 12 years ago, Paster, 47, was legislative director for the United Auto Workers, and served as the union's principal lobbyist on Capitol Hill. A Democrat, Paster once worked for former senator Birch Bayh (D-Ind.) and is actively backing Democratic presidential candidate Bill Clinton.

Gray, by contrast, is a staunch Republican who came to Washington as an aide to Dwight D. Eisenhower. He has maintained close ties with Presidents Reagan and Bush and is a fixture on Washington's social scene.

Gray, the subject of a controversial biography released last month, will keep his title of chairman of the board, a largely ceremonial role. But he will have no office or duties in Washington, according to Hill and Knowlton president Thomas E. Eidson. Paster is "solely in charge of the Washington organization," Eidson said in a telephone interview.

Gray has not had a "public rela-

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Names New Manager

tions function" in the Washington office for over a year, Eidson added.

The change comes after two tumultuous years. Since 1990, a series of layoffs and resignations, including a mass walkout of two dozen employees, has reduced the staff from about 250 to 90. The office has lost over half its clients and revenues have fallen sharply. This year the firm was outpaced by rival Burson-Marsteller as Washington's leading public relations firm, according to a ranking in Jack O'Dwyer's, a trade newsletter.

In an attempt to stem its losses, Hill and Knowlton earlier this month filed a lawsuit in New York Supreme Court to prevent previous employees from stealing the firm's clients. The suit names Capitoline International Group, Ltd., and three former employees who now represent former Hill and Knowlton clients, such as the Catholic Church.

The suit is expected to be decided in the next few weeks.

In an interview yesterday, Paster acknowledged that he was hired with a mandate to help clean up Hill and Knowlton's image. He also addressed some of the controversies surrounding the Washington office, specifically its reputation for representing highly controversial clients for very high fees. In addition to Kuwait, Hill and Knowlton has represented the Church of Scientology, the tobacco lobby, and other clients rejected by other firms.

"One clearly cannot accept clients because they have a checkbook," Paster said. "When the story becomes who the client is, you're distracted from serving the interests of your other clients."

As for fees, Paster said that in the future clients may be billed according to a retainer rather than an hourly rate.

Paster said that he expects most of the current employees to remain, including executive Frank Mankiewicz.