

Ash Is Confident in Role as Nation's New Budget Chief

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Defends Business Career, Views Criticism of His Litton Presidency as Unjustified

By ROBERT A. WRIGHT

BEVERLY HILLS, Calif. — Roy L. Ash took up his new duties as the White House's new money manager Dec. 11 fully aware that his reputation as a businessman genius had been tarnished in some quarters and thoroughly convinced that the criticism was unjust.

In a wide-ranging interview in his last days as president of Litton Industries, Mr. Ash vigorously defended his business record and asserted he would have no problem as a former defense industry executive and being objective as Director of the Office of Budget and Management.

On the eve of becoming one of the most powerful members of the Nixon Administration, he discussed his dislike of Big Brother government, of the limitations of applying business practices in government and how being very rich did not prevent him from sharing political philosophies with less affluent citizens.

Litton Industries, which Mr. Ash co-founded in 1953 with Charles B. Thornton, chairman, grew spectacularly in its first 14 years from a small Electronics company into a conglomerate with sales of \$2.5-billion a year on products ranging from frozen

foods to ships, microwave ovens to aircraft guidance systems, typewriters to medical equipment.

The company was the darling of glamor stocks during the era of conglomerates when Wall Street was enthralled by the Thornton-Ash concept of applying modern technology and management to form a multi-industry company that would be recession-proof. When one segment of the economy was off, other Litton enterprises would provide the growth.

Wall Street's enchantment with Litton ended abruptly in 1968 when the company announced that it would report its first quarterly decline in profits in its history.

Litton had encountered problems in its office equipment division and its new highly-automated shipyard operation, problems that were still with them last year when profits fell to \$1.1-million from \$50-million in the preceding year. The price of Litton stock, once above \$120 a share, now fluctuates in the mid-teens.

With that background, Mr. Ash's appointment by President Nixon as overseer of Government spending priorities, was greeted by



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Roy L. Ash

some persons with snickers couched in the question, "If he can't run Litton, how can he manage the massive Federal budget?"

Mr. Ash, interviewed in his office in the white brick colonial mansion that is Litton's headquarters in Beverly Hills, was ready for the question.

"I look at it in perspective," he said. "Litton is one of the greatest industrial accomplishments. Look at the last 18 years. We produced a half a billion dollars in profit and created one of the biggest corporations in the world."

Mr. Ash cited the record of several Litton divisions, all

big companies in their own right, and finally the original Litton base. "We're the world leader in navigation guidance systems. We started from scratch and now do \$350-million in sales. Who else has done even that alone?"

If the Litton story, even with its flaws, is impressive, the career of Roy L. Ash is equally so.

Born in Los Angeles on Oct. 20, 1918, he could not afford college during the Depression and was holding down a clerical job at the Bank of America when he enlisted in the Army during World War II.

Joined Statistical Service

He was selected to join the Army Air Corps Statistical Control Service, where a group of vigorous young officers, including Robert S. McNamara, later to become Secretary of Defense, and Mr. Thornton, were revamping military procurement along business lines. As the sole enlisted man in the group's ranks, Mr. Ash was encouraged to go to officers' candidate school, an experience he described as the major milestone in his career.

While Mr. McNamara and Mr. Thornton, as members of the "Whiz Kids" young management team ran the Ford

Motor Company, which until the postwar years had been a family enterprise, Mr. Ash—although without a college degree—was accepted to the Harvard University's Graduate School of Business. He finished first in his class with a master's of business administration degree.

Later, when Mr. Thornton was running the Hughes Aircraft Company, he recruited Mr. Ash as his chief financial officer. Then, in 1953, with \$1.5-million in borrowed money the two men founded Litton.

It was the decade of the conglomerator. Money was plentiful, the stock market boomed and companies such as Litton could buy up other corporations without resort to money, offering instead their high-flying stocks.

Many corporate mergers in those days were made more because of compelling accounting reasons rather than for their so-called synergistic effect, then a business cliché holding that the whole could be arranged to be worth more than the several parts.

Critics of Litton believe two of its acquisitions—Royal Typewriter and Ingalls Shipyards—fell into that category and view them as

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Ash mistakes.

"Roy got so carried away with Mickey Mouse accounting," said one former Litton executive, that "it's easy to see how he made that shipyard decision. A bunch of Harvard boys brought him a 300-page report full of numbers and he made the decision without any consideration of other factors like, how are you going to get enough workers to Pascagoula, Miss. (where the shipyards are). Tex (as Mr. Thornton is known to colleagues) wouldn't have done that, and you have to remember that Tex was away from Litton a lot in those years working for the Johnson Administration."

Mr. Thornton served on the Kerner Commission on Civil Disorders and on a panel that investigated student cheating at the Air Force Academy.

Easy Conversationalist

Mr. Ash is considered by some former associates as "a numbers man," not sufficiently sensitive to the human factors in business. A neat stack of more than a dozen old-fashioned, well-sharpened yellow lead pencils are always present on his desk seems to lend support to that contention, but his easy, albeit precise, conversation with outsiders would appear to deny it.

Although his blond hair has receded considerably and he uses reading glasses reluctantly as a last resort, Mr. Ash, a trim 6-footer, can still pass for 10 years younger than his 54 years. He has managed to stay fit and succeed in business without trying golf, but is an accomplished table-tennis player, and was before that sport became a foreign policy tool of the Nixon Administration.

If he is seen at a party, it probably is business or related to one of his many community

or educational activities. His close friends tend to be business associates, such as Henry Salvatori, an early investor in Litton and a well known contributor to conservative Republican candidates, among them Governor Reagan of California.

The rest of Mr. Ash's time is spent with his family. He and his wife, Lila, have five children, including two married daughters who have made them grandparents twice. On two camera safaris to South Africa, the younger Ash children took movies, which Mr. Ash edited and which he frequently shows to guests at his Bel Aire home, which he personally designed.

Business has made Mr. Ash a very rich man. How rich he declines to say. He describes estimates that his personal fortune totals \$9-million as "slightly exaggerated." Through surrogates, he declined to specify the investments in his personal portfolio, although his Litton holdings alone represent some \$3.5-million at market value and he has extensive holdings of Nevada cattle land acquired through a controversial exchange with the Federal Government of land he owned on the West Coast.

Spokesmen for Mr. Ash say that it is unlikely his personal holdings ever will be disclosed, but that Mr. Ash's instructions were to sell everything and put the proceeds into a blind trust over which he would have no control as long as he remained in Government.

For all of his money, Mr. Ash eschewed conspicuous consumption, driving himself to work in a Ford station wagon each morning to arrive precisely at 8:28 and usually leaves much later than the standard Litton quitting time of 5:30.

Mr. Ash says he is looking to a new bottom line — business jargon for the profit entry in accounts — in exchanging his \$195,000 job as president of Litton for a \$43,000 Government post. "Pride in accomplishment," he says, "has always

been as good a bottom line as any."

Being very rich doesn't make a lot of difference in one's attitude toward life, he notes, citing an encounter with a talkative Los Angeles cab driver who drove him from Los Angeles International Airport upon his return from Washington after his appointment.

"He didn't know who I was, of course, but as he talked, he expressed a philosophy so similar to mine. He had been a cab driver for 20 years. He was a Negro. He said about money that you could only wear one suit at a time, only live in one house at a time. He talked about California real estate taxes, and although he didn't have a lot of property, wondered if there wasn't some other way [of financing the school system]. Every subject he talked about, his opinions were the same as mine."

A proponent of adopting business management techniques to Government, Mr. Ash nonetheless says it is "an oversimplification" to say Government should be run like business.

"There are certain management principles applicable to running a government, a hospital or the Catholic Church, but this should not be confused with that which is properly and deliberately different," he said.

He noted that the executive branch was only one-third of Government, whereas in business, the board of directors and management entailed functions of Congress, the executive and even some of the judicial.

Long a financial supporter of Mr. Nixon's political career, Mr. Ash says he really did not get to know the President until four years ago when the Litton executive was appointed head of the President's Advisory Council on Executive Reorganization. Widely known as the Ash Council, this body, among other sweeping recommendations, suggested the establishment of the office Mr. Ash now holds.