

# Budget Chief's Company in Financial Conflict With U.S.

WASHINGTON — (AP) — President Nixon's new budget director heads a huge, financially troubled conglomerate that is trying to get \$380 million from the federal government with claims the Navy says are unsubstantiated.

The newly-named Cabinet-level official is Roy L. Ash, president of Litton Industries, once a leading glamor stock on Wall Street during the heyday of the conglomerates.

The company, which Ash cofounded nearly 20 years ago, now is struggling with delays and cost overruns on shipbuilding for the Navy.

#### Stock Price Dive

The difficulties helped plunge company earnings from \$50 million in fiscal 1971 to \$1.1 million in fiscal 1972. This year Litton's common stock price has fallen by more than half.

Litton has claimed the Navy should pay it \$380 million for cancellation costs and design changes encountered in its construction of five giant landing helicopter assault ships.

The Navy said in September that the claims were unsubstantiated, but it nonetheless continued an interim

financing arrangement through February, 1973. The original contract was for \$666 million.

The Navy wrote Litton in June expressing concern "about Litton's ability to perform this contract even under your extended delivery schedule."

It said the assault ship delays "could have a direct and potentially disastrous

effect upon your ability to deliver the DD963 class destroyers" under a separate contract.

Litton's new automated shipyard at Pascagoula, Miss., has been plagued with difficulties in carrying out the Navy work.

Litton also has \$168 million in three other shipbuilding claims pending be-

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# Litton Chief Choice for U.S. Budget

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fore the Armed Services Board of Contract Appeals.

The Congressional Joint Economic Committee, concerned about the shipbuilding deals, is investigating Litton.

Asked yesterday how he would handle cases such as the shipbuilding matter in which Litton dealt with the government, Ash drew a comparison with a professional football player who is traded to another team:

"I doubt that in the next match he would favor the team he just left."

Ash told a news conference after his appointment was announced that he would sell his 200,000 shares of Litton common and preferred stock, worth well over \$2 million. He said he would formally resign his \$95,000-a-year job Dec. 9.

Ash will not be subject to Senate confirmation in his new \$42,500 job.

Ash was born in Los Angeles on Oct. 20, 1918, the son of a hay and grain broker. Too poor to go to college in the depression, he took a job with the Bank of America and advanced into administrative positions before entering the Army in 1942.

Assigned to the Army Air Corps' statistical control service, he joined a group of "whiz kids" which included Robert S. McNamara and Charles B. "Tex" Thornton, later his business partner.

Later Ash joined Thornton at Hughes Aircraft Co., which was then rising to prominence in the new electronics industry. The two left Hughes in 1953 to form their own company, then known as the Electro - Dynamics Corp.

With \$1.5 million in borrowed money they bought Litton Industries, a small West Coast producer of mi-



**ROY ASH**

Former "whiz kid"

crowave tubes, took the Litton name and began building through a series of shrewd acquisitions.

### Decentralization

Litton operated under a highly decentralized philosophy that won wide attention during the company's rapid climb in the 1960s.

A business magazine quoted Litton six years ago as saying:

"We elect to manage by not managing. We have one rule — there is no rule. And our policy is we have no firm policy. What is there left for management to do? The management of capital."

A House Judiciary Subcommittee studied the firm as part of an examination of conglomerates. The subcommittee staff, in a report in 1971, outlined Litton's expansions in detail and said:

"Litton's image-making has developed flamboyant sham into an art. Overstatement is a way of life. It led Litton to assert that even its organization chart was so special that it was imbued with business confidentiality.

"In the process of developing its image, Litton has utilized all of the sophisticated accounting techniques and statistical gimmicks available. It is adept at concealment, misdirection and incomplete statement."