

SF Chronicle SF Examiner JAN 21 1973

Pentagon Nominee's Jet Finance Link

By Patrick J. Sloyan
Examiner Washington Bureau

WASHINGTON —William P. Clements Jr., the man President Nixon selected to be the No. 2 man at the Pentagon, is a director and stockholder of a Dallas bank that is helping finance the builder of a controversial jet fighter-bomber.

Clements, whose nomina-

tion as deputy secretary of defense comes up for Senate debate this week, has been approved by the Senate Armed Services Committee.

But one committee member, Sen. Harold Hughes (D-Iowa) said the panel was not told about the link between Clements, the First National Bank of Dallas and Ling-Temco-Vought Inc.,

manufacturer of the A-7, a plane used by both the Air Force and Navy.

Hughes termed it an apparent conflict - of - interest that would be pursued.

If confirmed, Clements would be in a position to influence the selection of the LTV plane over other competitors for a multi-million dollar defense contract.

Clements, in a Jan. 8 letter, told the committee he was a director and stockholder in the Dallas bank but was not resigning or selling the stock. He did dispose of other stock and resign from other firms that had direct and indirect links with military contracts after negotiations between law-

—Turn to Page 4, Col. 7

—From Page 1 of Dallas, Robert H. Stewart III.

yers representing Clements and the Senate committee.

"We were not told about the bank connection with LTV," Hughes said in an interview. "This is an apparent conflict - of - interest and we're going to have to look into it."

No Comment

Clements could not be reached for comment, but a Defense Department spokesman said late yesterday that Clements has now told committee chairman John Stennis (D-Miss) that he will resign as director of the bank but will not sell his stock.

Clements is aware of the bank's connection with LTV but believed it did not warrant reporting to the committee, the spokesman said.

According to LTV, First National of Dallas was one of several banks backing a \$75 million line of credit for the LTV aerospace subsidiary. The Dallas bank also is sharing in support of a \$25 million term loan, LTV said.

\$33 Million

However, neither the bank nor LTV would say how much of the line of credit and term loan was being financed by First National. So far, LTV has used \$33 million of the line of credit, LTV said.

First National at one point had more than just financial interest in LTV. When the parent corporation — one of the first of the big-time conglomerates — suffered losses, its board of directors did some housecleaning.

James Ling, founder of the conglomerate, was ousted as chief executive. Replacing him for a three-month period in 1970 was the president of First National

Nixon nominated Clements on the recommendation of Sen. John Tower, (R-Tex.). Tower and Clements served together on the board of directors of Southern Methodist University.

Leader

Tower is a leader of the Texas delegation's fight to keep open the A-7 production line at LTV and eventually win for the firm a contract for hundreds more of the fighter-bombers.

Tower and chairman George Mahon (D-Tex.) of the House Appropriations Committee hope to win Pentagon approval of a plan to use the A-7 as the chief tactical support plane for ground soldiers.

Currently, the Air Force wants to develop a new ground support plane, the AX. Only last week, the Pentagon announced that Fairchild Industries of Hagerstown, Md., was the winner of the AX contract for 10 developmental planes.

Eventually, the Air Force hopes to buy 600 of the AX planes.

A-7 Backers

But some in the Air Force favor using the LTV A-7 rather than the Fairchild plane.

If confirmed by the Senate, Clements would have an important role in choosing between the A-7 or AX for a 300 to 600 aircraft production run. The A-7 would cost about \$2 million per plane, the AX \$1.4 million.

Tower and Mahon rescued LTV last year when plans were under way to halt new purchases of the A-7 and shut down the Dallas production line.