

HOWARD HUGHES' WASHINGTON

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Knight News Service

*Another
day,
another
1.7 million
taxpayers'
dollars*

Today probably will be just another normal day in the life of Howard Robard Hughes, the richest recluse on the face of the earth.

No one really knows, of course, what a typical day for Howard Hughes is. Only one thing is certain: Before the sun sets tonight, Howard Hughes secreted away in a two-story suite atop the Xanadu Princess Hotel on Grand Bahama Island, will have collected nearly \$1.7 million more from the U.S. Treasury than he had when the sun rose this morning.

That is the Hughes empire's average daily take from America's taxpayers, and has been for 10 years.

Since 1965, Hughes companies have received more than \$6 billion in contracts from nearly a dozen different federal agencies.

And that puts Hughes in a class by himself. Hughes and his enterprises, as measured by all the available evidence, receive more tax money — \$11.6 million a week, every week — than is paid to any other privately controlled business in the world.

To understand how Hughes has managed to become almost a literal extension of the federal government, it is necessary to think in terms of Howard Hughes' Washington, which is not Gerald Ford's Washington.

His Washington is a place of intricate deals, shadowy alliances and quiet understandings. A place from which the millions of dollars flow in a never-ending stream — and a place where even the law itself seems to have been suspended.

And each year, the river of lucrative contracts flows more swiftly. So much so that in some phases of his business, Hughes has become almost a

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And he wouldn't answer his mail

Not too surprisingly, attempts to contact Howard Hughes for comment on this article were unsuccessful.

Hughes has not been seen in public for about two decades.

Letters addressed to Hughes were sent to three different locations. All three were returned unopened.

One letter was sent to a Houston address that Hughes, in government records, has indicated is his residence in the United States.

A second was sent to Hughes in care of Chester C. Davis, a New York City attorney who has represented him over the years.

And a third letter was sent to

Hughes at the Xanadu Princess Hotel on Grand Bahama Island in the Bahamas, where Hughes has been living.

Executives of Hughes companies to whom letters were sent asking for comment either returned the letters unopened or stated that they would not discuss the matter.

clandestine branch of the federal government, operating in total secrecy, guaranteed secret profits, checked or monitored by no one.

Scores of federal employees — from the FBI to the Defense Department — move effortlessly from the government payroll to the Hughes payroll while governmental bodies from the Civil Aeronautics Board to the Internal Revenue Service to the federal

courts themselves, shield and exempt Hughes from the laws that bind other businesses and citizens.

All this takes place against a shadowy backdrop of occurrences that include: Secret political contributions, business dealings punctuated by suicides, campaigns to buy and control politicians, sharply inflated markups on government contracts and the failure of both the Watergate prosecutor's office and the Senate Watergate Committee to investigate the full range of Hughes' ties to the Nixon Administration.

These are but a few of the findings to emerge from an eight-month investigation of the Hughes business operations.

Federal agencies and departments have engaged in a variety of stalling practices, refusing to answer requests for information, denying the existence of certain documents, withholding documents the courts have ruled are public records, and even notifying Hughes companies of specific requests that were made for public records.

In one case, Hughes officials advised the Pentagon they opposed the release of certain documents; that they, indeed, would consider it "catastrophic." The Defense Department then told us that the material could not be made public.

The requested records consist of routine, but secret, audit reports of how Hughes companies have spent \$5.7 billion in tax money in connection with military contracts.

Our investigation, which stretched from New York to Mexico and from Miami to Los Angeles, established that Hughes has received favored treatment from federal agencies and federal courts, against this background:

- Over the past decade, 8 of every 10 contracts entered into with Hughes companies by the federal government were awarded without competitive bidding.

Of \$813.2 million in military contracts awarded to Hughes Aircraft Co. in fiscal 1974 alone, 78 per cent of the dollar total was awarded without competitive bidding. The average for all other defense contractors was 56 per cent.

Of the more than \$6 billion that Hughes companies have received over the past 10 years from government contracts, more than \$1 billion was money taxpayers could have been saved had the contracts been awarded competitively.

The estimate is based conservatively on the government's own calculations that noncompetitive contracts cost an average of about 25 per cent more in cost than contracts bid on competitively.

- In a design competition for the building of a new light observation helicopter, 12 aircraft companies, including a division of the Hughes Tool Co., submitted 17 different proposals to the military in January 1961. After studies by technical and evaluation groups, two manufacturers — Hiller Aircraft Corp. and Bell Helicopter Co. — were selected to proceed with the development of prototypes. Hughes Tool Co. was not selected.

Then, in sequence, Congressional hearing records show, there followed: A series of friendly meetings between a Hughes representative and a key Army general; the selection of Hughes as an additional company that would build prototypes; the testing of the prototypes and a decision that the Bell machine was least desirable, while the Hiller and

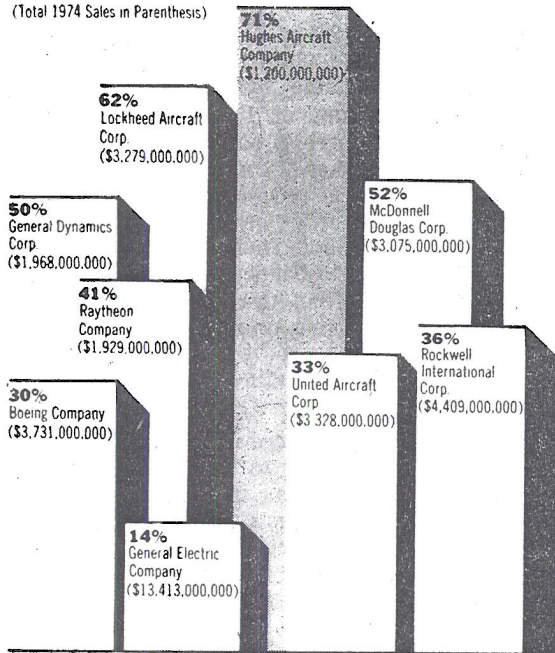
Contracts Awarded by Federal Agencies to Howard Hughes Companies



\$6,042,297,000 From Government Agencies, 1965-1974, To Companies Controlled by Howard R. Hughes

How Companies Depend On U.S. Government Contracts For Their Business

Percent of 1974 Sales Derived From U.S. Government
(Total 1974 Sales in Parenthesis)



Source: Standard & Poor's Corporation and Individual Companies.

Of the above nine companies, Hughes Aircraft Company is the most dependent on government business, with 71 percent of its revenue provided by the Defense Department and the National Aeronautics and Space Administration (NASA) alone. Litton Industries, Inc. — the one company missing from the top 10 list of defense contractors, says it does not know how much of its revenue comes from government business.

Hughes helicopters were about equal; an invitation to Hughes and Hiller to submit bids for building 714 of the helicopters; and, finally, the awarding of the contract to Hughes — despite a charge by Hiller Aircraft that Hughes had obtained the confidential cost data on which Hiller's bid was based. (The

Army investigated that charge, but later refused to turn its data over to Congress.)

- The cost of the Navy's Phoenix missile system — for which Hughes Aircraft Co. is the prime contractor — has spiraled from a Defense Department development estimate of \$536.4 million to \$1.75 billion — an increase of 119 per cent.

The cost of 23 other major Navy weapons systems has risen just 40 per cent. The unit price of the Hughes system has climbed from \$225,000 to \$464,000 — or 106 per cent.

- In June 1960, Hughes Aircraft arranged to buy electron tubes from another manufacturer at \$1.55 per unit. Addition of the company's own related costs and overhead brought the unit cost to Hughes to \$1.97.

Five months later, Hughes worked out an agreement with the Air Force under which it would deliver 23,436 electron tubes at a unit price of \$5.36 — a 172 per cent markup over Hughes' cost, according to a General Accounting office report. There was no competitive bidding on the contract.

- In October 1967, Mikio Morita, civilian chief of the Japan Defense Agency's equipment bureau, committed suicide by throwing himself in front of a train.

Five months later, in March 1968, Maj. Gen. Jiso Yamaguchi, chief of staff of the Japanese air force general's staff defense section, committed suicide by drowning in a Tokyo reservoir.

The deaths of both men grew out of a scandal — one that went largely unnoticed in the United States — in which secret Japanese defense documents were turned over by a Japanese air force colonel to a representative of Hughes Aircraft, Gen. Yamaguchi

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had been the officer in charge of a project for which Hughes Aircraft was the contractor.

In the same month in which Yamaguchi committed suicide, Col. Kenkichi Kawasaki, former vice principal of the Japan Air Self Defense Force's School of Military Science, was arrested and subsequently charged with leaking classified information, including the secret defense electronics plan, to a man identified as the Far East representative for Hughes Aircraft.

Kawasaki ultimately was convicted, but the investigation was hampered by the suicides of his two colleagues and the departure to the United States of the Hughes representative, placing him beyond the reach of Japanese authorities.

The importance of all this is twofold. First, Hughes has a history of unorthodox and irregular business and political dealings.

Things like the \$100,000 secret political contribution delivered to former President Nixon's friend, Florida banker C. G. "Bebe" Rebozo.

Or the memorandum Hughes sent to one of his associates concerning the billionaire's efforts to

block underground nuclear tests in Nevada, which said in part:

"There is one man who can accomplish our objective through (President) Johnson — and that man is HHH (then Vice President Hubert H. Humphrey). Why don't we get word to him on a basis of secrecy that is really, really reliable that we will give him immediately full, unlimited support for his campaign to enter the White House if he will just take this one on for us?"

Secondly, with a few isolated exceptions, there has never been any independent intensive public accounting of the more than \$6 billion Hughes has received from the government over the last 10 years.

Unlike other major contractors, Hughes companies — being privately held — are not required to submit detailed financial information to federal agencies whose records are open to the public.

Thus, while virtually every other major defense contractor must file public reports listing details about such things as profits and assets and liabilities and sources of loans and, perhaps more significantly, self-dealing financial transactions — for Hughes companies all of this is kept secret.