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# Y 4 REPORT ON THE INTER-AMERICAN HIGHWAY AND RAMA ROAD

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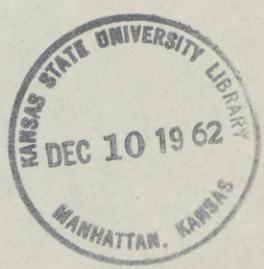


## HEARING BEFORE THE COMMITTEE ON PUBLIC WORKS HOUSE OF REPRESENTATIVES EIGHTY-SEVENTH CONGRESS SECOND SESSION ON H.R. 11973

TO AUTHORIZE THE APPROPRIATION OF ADEQUATE FUNDS  
TO PROVIDE FOR THE COMPLETION OF THE CONSTRUCTION  
OF THE INTER-AMERICAN HIGHWAY, AND FOR OTHER  
PURPOSES

AUGUST 30, 1962

Printed for the use of the Committee on Public Works



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# REPORT ON THE INTER-AMERICAN HIGHWAY AND RAMA ROAD

THURSDAY, AUGUST 30, 1962

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON PUBLIC WORKS,  
Washington, D.C.

The committee met, pursuant to call, at 10:15 a.m., in room 1301, New House Office Building, Hon. George H. Fallon, presiding.

Mr. FALLON, Ladies and gentlemen, the Committee on Public Works is meeting today for consideration of H.R. 11973, which is to authorize the appropriation of adequate funds to provide for the completion of the construction of the Inter-American Highway, and for other purposes.

(H.R. 11973 follows:)

[H.R. 11973, 87th Cong., 2d sess.]

A BILL To authorize the appropriation of adequate funds to provide for the completion of the construction of the Inter-American Highway, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purpose of completing the construction of the Inter-American Highway, there is hereby authorized to be appropriated the additional sum of \$32,000,000 to be expended in accordance with the provisions of section 212 of title 23 of the United States Code: Provided, That no part of such sum shall be obligated in any country until that country demonstrates, to the satisfaction of the Secretary, that it is capable of meeting its commitment for maintenance under the agreements entered into pursuant to the provisions of section 212(a) (5), of title 23, United States Code.*

Mr. FALLON. First, I want to apologize for starting late this morning, and for the several postponements that we have had to make on this hearing, which were because of matters that occurred beyond the control of the committee.

I understand that Mr. Herbert May, a representative of the Department of State, has another meeting with another committee this morning, and because of that the Department of Commerce representative has surrendered its time to begin this hearing with the Department of State.

Mr. May, will you come forward to the witness chair and give us the Department's justification for the added expense to the Inter-American Highway? I hope that sometime during the testimony here this morning that you will be able to say that this is the last time that "we will have to go to Congress for money to complete the Inter-American Highway."

**STATEMENT OF HERBERT MAY, DEPUTY ASSISTANT SECRETARY  
FOR INTER-AMERICAN AFFAIRS; ACCOMPANIED BY GERALD W.  
RUSSELL, OFFICER IN CHARGE OF TRANSPORTATION AND COM-  
MUNICATION, BUREAU OF INTER-AMERICAN AFFAIRS, DEPART-  
MENT OF STATE**

Mr. MAY. Mr. Chairman and gentlemen, I would like to lead off by that statement that I, also, hope that this will be the last time that we have to ask for any more money for this purpose. Obviously, we cannot be absolutely certain in the Department of State that the estimate of expenditures will prove to be accurate, but we have considerable confidence in the estimate at this time, and we believe that in all likelihood this will be the last time that we have to ask for money.

Now, sir, with your permission, I would like to read a statement which I have before me.

I am pleased to have the opportunity to appear before your committee in support of the Department of Commerce request for authorizing legislation which will permit the appropriation of an additional \$32 million to complete the Inter-American Highway. As your committee is aware the Congress has previously approved legislation authorizing the appropriation of \$138,703,000 for the construction of this highway. These funds have all been appropriated, the last being Public Law 766 of the 85th Congress which appropriated \$10 million. These funds which have been previously authorized and appropriated by the U.S. Congress have now all been either expended or obligated on current projects. The Bureau of Public Roads, the U.S. agency which has the responsibility of supervising and carrying out this project for the United States, has now determined that it will be necessary to secure authorization for an appropriation of the additional \$32 million for this highway. In the previous appearances before this committee, representatives of the Department of State have set forth the reasons why my Department considers the completion of this highway to be so important. However, I would like to restate them briefly.

The completion of the Inter-American Highway has long been a clearly established objective of U.S. policy. For many years the United States, together with its Central American neighbors, has been cooperating in its construction. We have now reached the point where it is very easy to see the completion of this important highway artery. The authorization of the additional \$32 million would permit the final completion of a hard-surfaced highway from the Guatemala-Mexico border to Panama City. The portion of this highway through Mexico has already been completed entirely by the Mexican Government with its own funds.

A great many benefits will result from the completion of this highway. Some of these benefits are as follows:

1. Political: The remarkable impetus toward Central American economic integration observable during the past year or two holds promises of profound significance for eventual political and social development as well, accentuating the desirability of perfecting without delay a modern communications backbone through the region as it gains economic and political weight.

Completion of the highway would intensify its use throughout, reduce the isolation from each other to the peoples along it, and contribute toward greater unity among the isthmian republics. This would in turn damp out much local political turbulence and advance the region toward the condition of political stability which is so essential for its accelerated progress in the economic and social fields.

It is clear that increased contact between the United States and the countries traversed by the highway, through tourism, commercial travel, and transport, could result in a variety of mutual benefits, the sum of which would be to strengthen our relations with those countries as they move forward under the Alliance for Progress.

All of the countries on the highway are anxious to see the last hard-surfaced link laid down, with particular concern centered in Guatemala, where a difficult stretch of road without paving now greets the southbound traveler at the very beginning of the Central American segment. Guatemala has been ready and willing to join the United States in proceeding with the paving work on its territory. Our failure to follow through would blur the accomplishment already made on the whole highway by holding back realization of the decades-old vision of automobiles rolling south to Panama and back over an uninterrupted hard-surface arterial highway. U.S. leadership now in seeing the highway through to prompt and final completion would, on the other hand, bring the project over a significant psychological hump, with favorable political effect for the United States in all the countries concerned.

2. Economic development: Poor surface transportation is one of the main factors retarding economic development in this area. With the completion of the Inter-American Highway there will be constructed additional feeder or "farm to market" roads such as we know them in the United States, to open underdeveloped lands which will stimulate economic growth in the area and encourage opportunities for new markets and greater international intercourse between the countries of this area. Some of the main benefits which can be expected as a result of the completion of this highway are:

(a) The development of trade and commerce between the Central American countries and the United States and Mexico;

(b) The expansion of domestic commerce within each country;

(c) The resettlement and expansion of rural areas and development of diversified agriculture;

(d) Expanded dollar income from tourist development which will improve the economic conditions; and

(e) Promotion of an increased U.S. market for agricultural machinery, tractors, automobiles, and allied accessories.

All of the above factors will contribute to a better standard of living for the residents of this area.

One of the elements of this entire program is the problem of the maintenance of this highway after it has been completed. The Central American countries and Panama in the past project agreements have obligated themselves to adequate maintenance of this highway. However, experience has shown that in a number of cases such maintenance problems are beyond the capability of the local highway departments to handle. In looking for a solution to this problem there have been discussions concerning the establishment of an Inter-Amer-

ican Highway Authority to maintain this important highway after it has been completed. A meeting of the Ministers of Public Works of Central America and Panama was held in August 1959 on this matter. As a result of that meeting a study was made on the establishment of such a maintenance authority by the International Road Federation. This report was issued in June 1960. This report found that such a plan was technically feasible and it estimated the cost for such an authority for the first 5 years would be \$16 million. Several of the countries have indicated that this initial investment is beyond their economic capabilities and have requested financial participation by the United States in at least the first 5 years operation of such a plan. In view of the large investment which the United States has in this highway there have been extensive discussions concerning the advisability of the United States participating in 50 percent of the financial cost of a maintenance authority the first 5 years or \$8 million.

If the United States assists in the original financing cost of a maintenance authority it is to be considered as a part of the overall U.S. foreign aid development. This problem has been discussed with the U.S. coordinator for the Alliance for Progress who has advised that such a proposal to help finance and encourage the formation of an Inter-American Highway Authority is in accord with the planning operations of that agency in this area. However, the AID indicated that such participation by the United States might be in the form of a multilateral loan to the Central American countries. If the AID is requested to assist in this project it will request that the Bureau of Public Roads, for its account, provide the technical assistance and administrative support for such an authority as well as assisting the interested ministry of public works in preparing a multilateral loan application to cover the U.S. participation cost.

In closing, Mr. Chairman, I would like to reiterate the strong feeling of the Department of State from a foreign relations standpoint concerning the prompt and final completion of the Inter-American Highway, the discharge of our responsibilities for cooperating in its construction, and the full realization of the benefits that the highway will bring to the countries of Central America and Panama.

Mr. FALLON. Thank you very much, Mr. May. Are there any questions?

Mr. WRIGHT. I would like to ask a question or two.

First of all, it seems apparent that notwithstanding the code provision as set forth by the chairman as to the money that we would contribute to the Inter-American Highway development program, that it will not be within that amount. There are two things that indicate to me the need for additional moneys there.

First is the matter of the maintenance of the highway. And second is the completion of Darien gap for which a study has been authorized.

I was wondering if any consideration has been given in the formulation of this for them to have a taxing authority of some kind, whereby you would have taxes on gasoline and on other road users products as well as, perhaps, certain franchises for tourist courts and restaurants along the way that could be paid into some central fund of the Organization of American States, and from the proceeds of this kind of

money that joint maintenance might be provided. Was any consideration given to that sort of a system?

MR. MAY. I cannot say that there has been consideration of that type of proposal, but it appears to me that it should be considered.

I believe that you are aware that we really do not have any definite understanding with the Governments of Central America and Panama on how the maintenance will be provided. We are concerned that there be such maintenance. I sort of concur with your fear that there might have to be some special U.S. legislation to cover it unless there is something worked out, perhaps, along the lines which you have suggested.

I am confident that something will be worked out, however; and that we will not have to come back to you for more funds. We have talked with various Central American and Panamanian authorities about the possibility of their coming up with their own funds, perhaps, with some assistance from us by way of a loan as indicated in my earlier statement, but we have not reached any definitive conclusion. And during the process of further discussions we will consider the suggestion you have just offered.

MR. WRIGHT. Certainly the committee realizes that we will, perhaps, have to maintain this road for one reason alone, that is, to protect the investment that we have in it. It is my understanding, however, that there was an agreement in the beginning that it was to be maintained by the Central American governments through some provision of taxes.

MR. MAY. Yes, sir. There was such an agreement. There would be such an agreement if any new contracts pertaining to the application of any new funds that might be appropriated by the Congress. In fact, the record of the Central American countries has by and large been good. There is the unfortunate fact that some of them simply are not up to the job—they are not able to meet the standards which we would want met to protect our own investment and to accomplish the objective for the highway.

MR. WRIGHT. I recall that the last time we appropriated some money that the chairman of the subcommittee which was acting on it hoped and believed that this was the last time that this would be necessary, they stated, to avoid any future embarrassment for the committee. The committee might be embarrassed to have to say to them that this is for certain the last time that they are going to receive money or to ask for it for the Inter-American Highway, and would be embarrassed to find out that it was not the last time. I do not want to say this to my colleagues unless I can say it in good faith. I think we are going to be called on to put up some money for the extension to the Darien gap, are we not?

MR. MAY. I would think two things on that: First, I hope that the fact that we in the State Department, coming before you today, are acting in good faith in our belief that this is the last time. However, we are not engineers. We are not competent to evaluate the judgment of the Bureau of Public Roads, but we have good reason to believe that they have made a very sincere effort to be accurate in their forecasts and that they will not ask for more.

On the subject of the Darien gap road we, in the Department of State, have not reached any decision that we will sponsor any additional request for funds for that. The U.S. Government has not

reached the conclusion, to my knowledge, that we will do so. If at some future time it is decided to move forward it certainly cannot be said that we had not known about it and were withholding that from you.

Mr. WRIGHT. No. We understand. It was not my intention to impute other than the best motives to the Department of State and to the Bureau of Public Roads. I have said that all along.

My questions were not offered to get additional assurances that this was going to be the last time, but rather to caution you against such assurances, because at the Pan American Union meeting, Mr. Moscoso and the Ambassadors from Central American countries signed an agreement for a study of the feasibility of a linking connection through the Darien gap which would make up the last of the remaining bottleneck, and if constructed would permit one to travel all the way down. I am very much in favor of it. If it is a feasible project, I think it should be done. I understand that money has been put up by Central American governments, Panama and Colombia and Puerto Rico and a number of them, but do you think that it is reasonable to assume that this is going to be done without any U.S. help? I do not believe it is. I think that we may anticipate that if they determine that it is engineeringly feasible to link this highway up between Panama and Colombia to the Darien gap, it should be done. I think that we should do it. It is a feasible project.

Mr. MAY. I think that it is possible. It certainly must be possible that we would want to come up with some money. However, I would say that the thinking that has gone into this, so far, to the best of my knowledge, has pointed toward the conclusion that if such a highway appears feasible it might be financed by borrowing on the part of the Latin American countries on the open market—they could borrow it in Europe or from some other sources to some extent and it might be financed in that way and by toll roads.

You suggested that some consideration be given to toll roads for maintenance of the Inter-American Highway portion of the road. It is possible that they will be able to derive substantial income from that source. It is possible, also, that if they have a really good project this might be something that would mean that they could borrow it from AID. It might be that the Export-Import Bank or the International Bank would come up with some moneys.

I am merely saying to you, Mr. Wright, that I cannot say to you that after every other avenue of financing has been explored, assuming that the road is considered technically feasible, that after everything else has been explored we will not, definitely not, come to you for additional funds, but what I am saying is that we have to consider this as a hypothetical situation and one which, up to this point, has suggested that a number of other avenues of financing might, also, be feasible, to preclude our coming before you again.

Mr. WRIGHT. Will the \$32 million being requested, all of it be paved with hard surface?

Mr. MAY. It is my understanding that all of it will be paved.

Mr. WRIGHT. All of this would be paved?

Mr. MAY. To Panama City.

Mr. WRIGHT. So that the map which reflects the several roads in a state of completion, which have presently been paid by the appropriations, and this \$32 million being requested would pave all of it?

Mr. MAY. Yes, sir.

Mr. WRIGHT. You mentioned in your statement the difficulty in getting onto the highway from Mexico. Is that the section where the rock slides have caused problems?

Mr. MAY. I believe that is correct; yes, sir.

Mr. WRIGHT. And perhaps the question I am about to ask you more appropriately should be directed to the Bureau of Public Roads people. I was going to ask if they have found what they regard as a satisfactory solution to that problem. Do you know the answer to that?

Mr. MAY. I think that you will have to agree or rather, that I will have to agree with you that it would be better addressed to them.

Mr. WRIGHT. All right. That is all.

Mr. FALLON. Are there any other further questions?

Mr. BALDWIN. Mr. May, I want to ask a question on H.R. 11973, the bill which has been introduced by Mr. Fallon. I take it that the wording of this bill is wording which was recommended by the State Department and the administration?

Mr. MAY. It is the Department of Commerce bill, but we in the State Department do support it; yes, sir.

Mr. BALDWIN. This has a proviso in it that says:

*Providing*, That no part of such sum shall be obligated in any country until that country demonstrates, to the satisfaction of the Secretary, that it is capable of meeting its commitment for maintenance under the agreements entered into pursuant to the provisions of section 212(a) (5), of title 23 United States Code.

And I have section 212(a) (5) of title 23, United States Code, before me, and it says—I am reading the beginning of the sentence, and it says—that no part of such appropriations shall be available for obligation or expenditure in any such country whose government has not made provisions, and further that it provides for the maintenance of said highway after its completion and in condition adequately to serve the needs of present and future use of traffic. If this bill is passed by the House in this form, in conference, how can this be reconciled with the testimony in your prepared statement that you are planning to provide funds for the maintenance through the foreign aid program?

Mr. MAY. As I see it—as I would interpret these provisions, they have to have some interpretation of reason in them, and before we would commit any funds, we would require that the maintenance facilities of the other governments be just as strong as the other government has in its capability to make those facilities. We would have to assume that they would, in fact, devote every effort. And we would require every effort to be devoted to maintaining the road to the best extent that they can do it.

I have to concede the fact, the point which you make, however, that there is a certain inconsistency in this.

Mr. BALDWIN. There is no inconsistency. Let me say that this is directly to the contrary. It says that no part of the said appropriation shall be available until, and then five says that the country must make commitments that will provide and it is not, if, and or but—it will provide for the maintenance of said highway after its completion and in condition adequately to serve the needs of present and future traf-

fic, and I would like to know how the State Department could carry out this specific directive of Congress when the State Department testifies that it proposes to provide foreign aid to the countries to provide the maintenance.

Mr. MAY. I did not say, sir, that we are proposing to perform or to provide foreign aid to provide the maintenance services.

Mr. BALDWIN. That is what it says.

Mr. MAY. We are going to consider them. And we are going to discuss them—those governments. We will determine whether, without assistance and with their own ability, we can then have satisfactory maintenance of the road. There would not be much point in providing assistance if the assistance could not be well used.

We, in proposing and asking your support for this legislation, are operating within the assumption that the Latin American governments can, in fact, maintain these roads, even after we have provided any assistance which we must provide. We believe their maintenance facilities are being improved. We wish to help them improve those maintenance facilities in one way or another. We wish to protect the investment of the United States. And, perhaps, of even greater importance, we wish to be sure that the road serves the objective which we have in mind.

If it were to fall apart we, certainly, would not stand to benefit.

Mr. BALDWIN. Let me explain to you what this committee is up against when we go to the floor, as we will sooner or later, to try to justify, whether it comes out of our committee in a separate bill or it ends up in the conference report on the Federal aid highway bill which is now over in the Senate—we not only have to go to the people on the floor and try to justify this, but the statements made the last time this was up. This is Mr. Gross on page 4336 of the Record:

Mr. GROSS. Is this the last appropriation we will be called upon to make for this road?

Mr. FALLON. May I say to the gentleman that I certainly hope so.

Mr. GROSS. Is that what the gentleman thinks?

Mr. FALLON. From all the evidence we have had in our committee from our departments it will be the last request for appropriation.

Mr. GROSS. I thank the gentleman.

And here is Mr. Scherer who states:

The gentleman from Iowa asked whether or not this was the last appropriation the House would be called upon to make for this purpose. Let me say, as a member of this Subcommittee on Roads, that this is the last appropriation this member will support.

Mr. FALLON. I think the gentleman has company as to that.

We are going to have a bad enough time going on the floor and justifying our position for construction funds, but in view of this testimony which will appear in the printed hearings that come out of this committee, I can assure you that the Members of the House look into things like this, particularly when they are basically opposed to such an expenditure anyway—and I quoted one man I am sure who will look over these hearings—if there is implication in these hearings—even an implication that the State Department intends to give consideration, possibly favorably, to some means of financing to foreign aid the maintenance funds for this, in view of this clear proviso in the law which is a directive on the part of the Congress, I think that this committee is put in a completely impossible position.

I would be willing to vote for an expenditure to complete the road. I do not think that we have any alternative. I do not like to see us going back for additional expenditures, but I do not think that we have any alternative. And, therefore, so far as funds to complete the road are concerned, I think they have to be appropriated, but with this question raised that the State Department might participate on its volition in financing the maintenance, when the Congress has given it a clear directive that we cannot use the \$32 million until they sign an agreement that they will provide for the maintenance—I think that this puts the State Department in a position where we are contemplating a complete violation of the directive that the Congress has given before the funds for construction were even made.

Mr. FALLON. Will you yield?

Mr. BALDWIN. Yes.

Mr. FALLON. As to the statement of Scherer that you read from the record that this is the last time that we will ever come before the Congress for funds for the Inter-American Highway, I agreed with the gentleman.

Let me further say that I think the point that Mr. Baldwin is making now is a very good one, and that it would be very embarrassing if we tried to take this bill on the floor.

The purpose of this hearing being, as far as I am concerned, to get an expression from our committee on this particular item that I understand we are going to have to conference on. It has been put in the bill sent over by the Senate committee.

Mr. BALDWIN. Has this proviso been put in there?

Mr. FALLON. I say that the reason for this meeting this morning was to get an expression from the committee so that when we go to conference the conferees will know the will of this committee. Certainly, the point Mr. Baldwin brings out, if it is in the Senate bill, then we can go to conference and will have, certainly, a very good argument so that that section in the Senate bill can be corrected, so that only the authorization for the completion will be made without any language in regard to maintenance.

Mr. BALDWIN. Let me say, Mr. Chairman, if the Senate just took the first half of this bill and eliminated the proviso it would help.

Mr. FALLON. I do not know that the Senate has any language of that type in the bill. They have not seen their confidential print. I understand that it is out, but I have not seen it. I do not know what their language is. It seems to me that when we go to conference we can, certainly, assert that nothing in the bill will be there except the authorization for the money to complete the highway.

Mr. CRAMER. Will you yield?

Mr. FALLON. I yield.

Mr. CRAMER. The only way that the maintenance could be considered or is, apparently, being considered, according to the statement by Mr. May, on page 4, and I quote him:

In view of the large investment which the United States has in this highway there have been extensive discussions concerning the advisability of the United States participating in 50 percent of the financial cost of a maintenance authority for the first 5 years or \$8 million.

If it has to be \$8 million, we would have to repeal the existing provision which requires the countries to maintain the highway when completed.

Mr. BALDWIN. Why not ask Mr. May?

Mr. CRAMER. How else could you negotiate if Congress did not repeal the provision—how can the State Department negotiate when Congress says it cannot be done?

Mr. MAY. I do not see how it can be. I would have to urge that the Congress not eliminate any provisions pertaining to maintenance. Certainly, we would have to protect ourselves and to protect the road by seeing to it that there is maintenance by every means which we have at our command.

Mr. CRAMER. Would you recommend that that provision be stricken out, that this Government be left obligated to maintain the highway?

Mr. MAY. No, only that in our negotiations with other governments we shall require of them that they put everything they can into proper maintenance of these roads. And I think that we have to remain free in the executive, where we feel it is indispensable that we make a loan for the purpose of maintenance, that we remain free to make such a loan. I think that we have to protect that road.

As to the maintenance, I want to make one other point on that. I was not present at the time that Mr. Moscoso discussed the question of why the AID agency would consider a loan, but I know that one of the things he has in mind in the Alliance for Progress program is to strengthen the capabilities of the Latin American countries and the Central American countries, in particular, for such purposes as maintenance and not only with regard to loans which we help finance, but, also, with regard to loans which they make on the roads which they may be building.

I think the problem of adequate maintenance facilities is a general one. It is one that is of importance to their economic and social development and we shall have to be helpful. It is not exclusively related to the Inter-American Highway, but it is, certainly, related to this.

Mr. BALDWIN. Mr. May, I want to say again that the Congress enacted a law which make a flat directive to the State Department in negotiating the original contract by which the appropriation for the construction is made that the country, to get a part of those funds, signing the agreement, makes the flat commitment that it will provide for the maintenance of such highway after its completion and in condition to adequately serve the needs of traffic. It cannot even qualify for the construction funds if it does not do that. If the State Department at any future time makes available funds by grant, loan, or whatever it is, in my opinion, it is in violation of the intent of Congress as spelled out in this law.

Mr. MAY. I do not really see why it is a violation to help strengthen, to improve, the maintenance facilities of the country.

Mr. THOMPSON. If the money was made available in the form of a loan how then would it be in violation of this?

Mr. BALDWIN. It seems to me that Congress has said that the country has to provide the money—that it will provide for the maintenance of said highway, and the only way that it can provide for the maintenance, that is, if that is the only way, is to come to us for a loan which is financial aid, then I do not think that in good faith it has met the requirements of this section of the law.

Mr. THOMPSON. Actually, technically, it would occur to me that a loan made to the country is not the same as an appropriation.

Mr. BALDWIN. Not the same as a grant, but still it is financial aid. And if we have to provide financial aid to carry out this maintenance, in my opinion, there has been a violation of the intent of Congress which is clearly spelled out here.

Mr. THOMPSON. I would agree. We do not even maintain the highways in the States. I would agree with that. The States maintain the highways. The people in my district might question this.

Mr. BALDWIN. I would agree.

Mr. THOMPSON. I think there is a technical point there as to whether we make a loan to a country for that or for any or all purposes, to use part of the money for this maintenance. It is a loan, we will say. So we are not going to advance the money.

Mr. BALDWIN. We are certainly helping them in the meantime, because we have to put up the capital amount of that loan from some source. All I am saying is that we are going to have a hard enough time in the House on this. I do not believe that anybody is being misled by the kind of reception that we will get on the House floor as to this maintenance.

Mr. THOMPSON. I would like to get an opinion by the counsel as to whether it is in violation of the law.

Mr. WRIGHT. Will you yield?

Mr. BALDWIN. Yes.

Mr. WRIGHT. I do not want to enter into the technicalities of this particular discussion. Presumably, if they can satisfy us as to their ability to maintain the road by satisfying us as to their ability to borrow the money from us, that is about what it is. I think that in the initial legislation or, rather, I wonder if I might ask Mr. May as to the reasons which have brought us to the conclusion that some of these countries are unable to maintain the highway. Is it because of their insistence on using hand labor with mattocks and hoes as I have seen them working on these roads, in order to stimulate a maximum employment with their refusal to purchase big highway machinery, or is it their economic inability to purchase for this maintenance work?

Mr. MAY. I would say that it is not possible to generalize all countries or even for all of the people in any one country. We, certainly, have enough experience with the countries of Central America and Panama to know that in many cases they simply do not know how to go ahead with the proper maintenance operations. They do not have the equipment, or if they have it, they do not know what to do with the equipment or even how to maintain the equipment.

I am not an expert on this subject. Obviously, the representatives of the Bureau of Public Roads can answer you much better than I, but I have had a number of experiences with various countries in the area which leads me to the conclusion that very often it is a matter of know-how—it is a matter of proper guidance—it is a matter of training as to how to go about the maintenance process. And many of them simply have not had enough experience at least to meet our standards.

Mr. FALLON. Did you testify before the Senate committee on this proposition?

Mr. MAY. I did not.

Mr. FALLON. Do you know who did?

Mr. MAY. I believe it was Mr. Martin.

Mr. FALLON. You do not know whether it was testimony on the bill introduced by Senator Chavez?

Mr. MAY. I do not.

Mr. THOMPSON. Would it be possible to get an opinion from counsel on this point?

Mr. FALLON. I think that we can, Mr. Thompson. I think the hearing we have here will just bring out the expressions of this committee, because it is not the intention, at least of the chairman of the committee, to report this bill out for action on the floor. If any action is taken at all by this committee it will be through its conferees.

Mr. THOMPSON. I thought that it would be helpful to have the opinion of counsel.

Mr. FALLON. We could get that later. We will excuse Mr. May as soon as possible. He has to testify before another committee. Are there any further questions? Are there any further questions of Mr. May?

Mr. WRIGHT. Perhaps, this is a request rather than a question. I am seriously impressed with that matter. I believe in this. I think it is important. And yet I am, also, disturbed. I would like to ask for some information. I do not want to ask you for it at this moment, because the committee is conscious of your time situation.

To the extent to which this main arterial highway has, indeed, stimulated the construction of feeder roads, for instance, and farm market roads, thus stimulating the economy, I would like to suggest, Mr. Chairman, that it would be a very worthwhile thing since this problem is not going to be solved by one action here—it is going to be with us for some years—that this committee appoint a subcommittee in November, perhaps after the fall elections are over, to go down to Central America, to the Darien Gap, and talk with the responsible officials there with respect to their plans for maintenance, with respect to exactly what has been stimulated in the way of lateral road construction. And I should like to suggest that this committee actually get on its boots and go down into that swampy jungle area of the Darien Gap and inspect that route which has been suggested as a feasible, logical route to put in this connecting link. I do not think that this should be made in a form of a formal motion.

Mr. CRAMER. To inspect the Darien Gap itself would be quite a trip.

Mr. WRIGHT. That will be quite a trip, true. It certainly would.

Mr. FALLON. I think that the gentleman from Texas talked about this several months ago in regard to the Darien Gap itself. I have been down there—I have been over it—rather than down there—to look into the things. I did not go through it. I went over it. I was not prepared or equipped for that kind of a trip at the time.

Mr. MCFALL. Mr. May, I gather from your testimony this morning that it is the opinion of the Department of State, perhaps, and the Bureau of the Public Roads that if this highway is going to be maintained and not to deteriorate the United States is going to have to provide the maintenance for it. Is that correct?

Mr. MAY. No, sir; that is not correct. We are considering the possibility that we might find it desirable to provide a loan of, perhaps, as much as \$8 million to be balanced by funds in the same amount from the Latin American, Central American countries themselves for main-

tenance during the first 5 years of this operation with the understanding that thereafter they would cover the full maintenance on their own without any further assistance from us.

Mr. McFALL. Before the road was built we had that understanding, and now you are modifying it so that we are going to carry that out for 5 years?

Mr. MAY. No, sir.

Mr. McFALL. What I am primarily interested in is the reason for your conclusion—that is what I am primarily interested in—has the road not been maintained in the areas in which it is constructed now? Where do you get your information? Does it come from the State Department or does it come from the Bureau of Public Roads? Do you have any reports with reference to this—anything in writing, that you can give to this committee, not with reference to what may be coming up after today, but as of now.

Mr. MAY. I would like to make my statement a little more clear. First, I did not say that the \$8 million which we are thinking about, which we have not committed, would represent one-half of the total maintenance on these roads. We hope that they will be doing and we expect that they will be doing a great deal of maintenance, quite apart from this particular loan negotiation which might take place. They have been maintaining the road in a fairly good order in most places. We have information from our embassies which indicate that in some places it has not been up to proper standards, but we in the State Department are not competent to make technical evaluations on this subject. The Bureau of Public Roads has done so. I prefer that you ask them if you do not mind, sir.

Mr. McFALL. What is your statement on that?

Mr. RUSSELL. I am with the State Department.

Mr. McFALL. I will wait then.

Mr. FALLON. Let me say this, that the language in the Senate bill, on section 4 is—

that, for the purpose of completing the construction of the Inter-American Highway there is hereby authorized to be appropriated the additional sum of \$32 million to be expended in accordance with the provisions of section 212 of title 23 of the United States Code; provided, that no part of such sum shall be obligated in any country until that country demonstrates, to the satisfaction of the Secretary, that it is capable of and willing to meet its commitments for maintenance under the agreements entered into pursuant to the provisions of section 212(a) (5) of title 23 United States Code; and provided further, that the funds authorized herein shall be available for contract immediately upon passage of this act and compliance with such commitments.

Mr. BALDWIN. That is the exact wording of your bill plus this that it shall not be given until they supply this. That is the problem.

Mr. CRAMER. If the gentleman will yield, the final proviso says that the funds shall be available upon passage of this act.

Mr. BALDWIN. That means the Appropriation Committee will not get a chance to look at this until after.

Mr. CRAMER. I would strongly oppose this proviso. It appears that requires a reiteration of the requirement of local country maintenance. What does the State Department do with that language? Do you have authority to do that—to negotiate for full U.S. participation for the cost of maintenance?

Mr. MAY. We can participate in loans, but we, obviously, have no authority to participate in grants for the maintenance. The Congress has not given us that authority.

Mr. CRAMER. You can participate in loans?

Mr. MAY. Yes.

Mr. CRAMER. Is that the type of participation that you are talking about when you say that the United States is participating in 50 percent of the cost? Is that the type that you are talking about?

Mr. MAY. No, sir.

Mr. BALDWIN. Will you yield?

Mr. CRAMER. What are you contemplating?

Mr. MAY. We do believe that we have authority to enter into negotiations for maintenance purposes, that is, to enter into loans for that. We believe that we have that authority now. Now so far as the appropriations from Congress, for the purpose of maintenance, we do not have that authority. Our funds up to now have been for the purpose of construction.

Mr. CRAMER. It seems to me that you have said that the Congress has said specifically that you cannot do this by way of the front door and you are coming in the back door. It is not to have U.S. funds for maintenance. The countries have to accept that responsibility.

Mr. MAY. They have accepted that responsibility and they have been doing pretty well. They have not been doing as well as we would like, for the purpose of getting the objective of Congress implemented. It is for that reason that we are now considering other possible means of strengthening their ability to do the kind of job we want them to do. We have never yet made any more money available and we will not make it available unless we believe that they are doing everything they can, that the money will be used well, and that they need the money. If we can satisfy ourselves that they do not need the loan from us, that they can by making a better effort on their own part by the maintenance—if we feel that through some reallocation of their own resources they can strengthen their own ability to do so, without any help from us, whether by loan or in any other way, we, obviously, would prefer not to make the loan.

Mr. CRAMER. It is quite obvious they are asking for U.S. loans to participate in the maintenance. That is what the negotiations are going on for.

Mr. MAY. We have not yet had the negotiations. That is all I am saying. We will try to protect the national interests to the absolute limit. We are not going to be easy on the loans, either. We recognize the intent of Congress. And we will, certainly, do all we can.

Mr. CRAMER. The Congress said in effect that no additional money for this shall be made available for maintenance. That means loans or grants.

Mr. MAY. I did not have that in mind.

Mr. CRAMER. What authority to negotiate?

Mr. MAY. I do not have that interpretation, sir, if that is it.

Mr. CRAMER. That is the point I am asking, do you interpret it to mean that despite this language the State Department can go ahead and negotiate for loans for maintenance?

Mr. MAY. Yes, sir.

Mr. CRAMER. We might as well throw this language in the garbage can.

Mr. MAY. No, sir. We do not interpret the language in that way. This is a matter of interpretation. And that is not our interpretation.

Mr. CRAMER. The language specifically says that the country agrees to provide for the maintenance of said highway after its completion in such condition as to adequately serve the needs for present and future traffic.

Mr. MAY. Yes, sir. And they are doing that to the absolute letter of their agreement. We are satisfied that they are trying very hard. They have shown good faith in their efforts. We, also, feel that in some respects they simply have not been able to do what we would like them to do.

Mr. CRAMER. The fact of the matter is that they have not been properly maintained—they are not properly maintaining the highway, even though they signed an agreement to do so.

Mr. MAY. In some sections of the highway you are absolutely correct.

Mr. CRAMER. I was down there a few months ago, and I know they are not. I went over this portion of the highway. It is quite obvious that it is not being properly maintained pursuant to the agreement entered into. Are you going to let them fall down on their agreement?

Mr. MAY. No, sir. I have said, and I will repeat, that we will in every way try to see that they do fulfill their agreement within the limits of their ability. As to what they have done within the limits of their ability, I am not competent to testify on their ability, and I would prefer that you speak with the representatives of the Bureau of Public Roads on that.

Mr. CRAMER. If it is made available who gets this money, the Department of State?

Mr. MAY. I do not know what the loan agreement would be, because there is none. I do not know what the provisions would be on a hypothetical loan.

Mr. CRAMER. Does the Bureau of Public Roads have the right to participate in this?

Mr. MAY. I would assume so.

Mr. CRAMER. To supervise the construction. The Bureau would not have any authority under this?

Mr. MAY. I am not at all sure that they would not. I am not at all sure that they would not be involved in the maintenance operation under a hypothetical loan.

Mr. CRAMER. Why would they, in a loan to the country?

Mr. MAY. The country, under the terms of the loan, might be required to use the services of the Bureau of Public Roads, and the Bureau of Public Roads might be glad to participate in it. I do not know.

Mr. CRAMER. Then we start with 5 years which will cost \$8 million, and then what happens after that 5-year period? We are stuck with another 5 years for \$15, then another 5 years for \$32 million. There is no end to it. It is just that; is that not right?

Mr. MAY. That is not our interpretation, sir. We stated in the record—

Mr. CRAMER. That is a possibility, is it not?

Mr. MAY. There is a great deal of it possible, but we have to state, and we state it in good faith, that, in our judgment, this will be the only loan or the only requirement necessary for this purpose.

Mr. CRAMER. How can you say that in good faith, because at the end of 5 years, if the local country spends money of the Alliance for Progress on a loan basis, or any other money for maintenance, you mean to say that you will not cut it off, even though it means that it will be using this highway? How much has already been appropriated and authorized by the Congress—\$138,703,000—and you are now asking for a 25-percent increase of \$32 million; with that investment it then will be \$170 million. Is not the argument going to be just as forceful 5 years from now, that we cannot afford to ditch that \$170 million investment; therefore, we should go ahead with continued loans to these countries, because they say to us they need it?

Mr. MAY. Mr. Congressman, I can only repeat the statement we have already made that in entering into the consideration in thinking about a loan, what we are thinking about is a loan which would terminate at the end of 5 years. I cannot predict the future beyond that, but I can tell you that we are thinking about it only within these terms.

Mr. CRAMER. The gentleman from Louisiana has put his finger, certainly, on the question that really bothers me, and that is, if we do not maintain the highways in this country, that we do not do it here. We provide the construction money, but we do not provide the maintenance money. And yet we propose to do it in a foreign country. How can we possibly sustain opposition on the floor of the House?

Mr. MAY. We are not requiring—we are not asking for any authorization or any appropriation of congressional funds for the purpose of paying for the maintenance. We are thinking about a possible loan.

I have to repeat, however, we have not made the loan. The terms of the loan might be important—and they might be important to you, they might be satisfactory to you—but how can I speak about a loan which has not been negotiated and which at this moment is not even being negotiated?

Mr. CRAMER. You are not saying if this is negotiated this country is not going to participate financially in that.

Mr. MAY. I do not know. We have already stated that we are thinking about our participation in it. We are not trying to conceal anything from you, but I would go on to repeat that during the process of the loan negotiations we will be serious and we will try to protect the U.S. interest in it. There might be a loan and there might not be a loan.

Mr. BALDWIN. Mr. May, there is a question that I would like to ask you. The bill which Mr. Fallon introduced, as I understand, was a bill which was recommended by the Department of Commerce with the approval of the State Department?

Mr. MAY. Yes, sir.

Mr. BALDWIN. The Senate committee added the last proviso:

*Provided further,* That the funds authorized herein shall be available for contract immediately upon passage of this Act and compliance with such commitments.

Was that added proviso recommended by the State Department or was it done by the Senate committee despite the recommendations of the State Department for a bill in this wording?

Mr. MAY. I am sorry, I do not know. Do you know, Mr. Russell?

Mr. RUSSELL. We made no recommendation on the bill.

Mr. FALLON. That could have been recommended by the Bureau of Public Roads.

Mr. BALDWIN. I would like to get the State Department's position first, Mr. Chairman.

Mr. MAY. Mr. Gerald Russell, who is with me, and who is the officer in charge for transportation and communication problems in the Bureau of Inter-American Affairs, tells me that the bill endorsed by the State Department did not include the later proviso as it came out of the Senate bill.

Mr. BALDWIN. Thank you.

The reason, Mr. Chairman, in asking this question is the bill, and the form in which you introduced it I agreed with it.

The wording is all right. It reiterates the provision, and I am in favor of that. And so I do not think anybody on the committee would disagree with the reiteration of the proviso that is now the law in effect.

So I think that so far as the Senate wording is concerned all that we have to debate our position on is this proviso added by the Senate.

For that reason, I think we should get their views while they are here, and apparently this is not a recommendation of the State Department. So we have that clear.

All we have to ask them is the Department of Commerce.

Mr. CRAMER. Of course, the problem involved is the wording to the Members of Congress which clearly states that no U.S. money will be used for maintenance.

We are put on notice that U.S. money is going to be used for maintenance, and that is about as two-faced an approach on the floor of the House as a person could take, and I am not going to be a party to it.

Mr. FALLON. I will say this, that I think one of the errors, this morning, Mr. May, was including that in your statement. If that had not been said you would have been gone a long time ago.

Mr. BALDWIN. Mr. Chairman, although I do not agree with it, I would rather know about it now than after it has happened.

Mr. FALLON. That is correct. That is correct.

I think probably that question may come up on the floor of the House when we try to pass it. At that time I think that we can make our expressions that we will stick by the original law, and we are not going to furnish any maintenance money for the Inter-American Highway.

Mr. CRAMER. Directly or indirectly.

Mr. FALLON. Directly or indirectly.

Mr. WRIGHT. Mr. Chairman, may I simply, for the sake of clarification, ask one more question of Mr. May because I think there may have been a misunderstanding regarding his answer earlier to the same question.

Mr. FALLON. Mr. Wright.

Mr. WRIGHT. As I understand it, Mr. May, you do not advocate the removal of this proviso, that no part of such sum shall be obligated until the country demonstrates to the satisfaction of the Secretary that it is capable of meeting its commitment for maintenance

but, to the contrary, I understand that you want this proviso retained. Is that correct?

Mr. MAY. Yes, sir.

Mr. Chairman, with your permission, I would like to leave for the record, before I depart, a statement which has been prepared on the subject of the Rama Road. I know that that is a subject which you will be considering.

Mr. FALLON. No objection, it is so ordered.

(The statement follows:)

STATEMENT BY HON. HERBERT K. MAY, DEPUTY ASSISTANT SECRETARY OF STATE FOR INTER-AMERICAN AFFAIRS, ON THE RAMA ROAD, BEFORE THE HOUSE PUBLIC WORKS COMMITTEE, AUGUST 29, 1962

I am pleased to have the opportunity to appear before your committee to support the request of the Department of State for additional authorizing legislation of \$850,000 which together with the present legislation will permit the appropriation of \$2,350,000 to complete the Rama Road in Nicaragua.

#### (1) HISTORY

The agreement for the United States to construct the Rama Road was developed from conversations held in 1939 between President Somoza of Nicaragua and President Roosevelt. At that time, the Nicaraguan President asked that the United States undertake the construction of a sea-level canal across Nicaragua, a right which the United States obtained in the Bryan-Chamorro Treaty of 1914. The War Department recommended against the construction of the canal and also the construction of a barge canal using the San Juan River and Lake Nicaragua. However, agreement was reached on the construction of a road from San Benito to Rama and, on April 8, 1942, the U.S. Government stated in an official note that it would be willing to construct a highway between San Benito and Rama and to survey and recommend a route from Rama to El Bluff. The United States has since been released from the survey obligation.

As a result of this agreement, construction was commenced early in 1943 with funds allotted to the Bureau of Public Roads from the emergency fund of the President in the amount of \$4 million. In addition to the original \$4 million allocated from the emergency fund of the President, the Congress has authorized allocation of an additional \$12 million and has appropriated \$10,500,000, leaving an authorization of \$1,500,000 remaining to be appropriated. The Department is proposing that the 87th Congress approve a new authorization bill for \$850,000.

This new authorization, together with the present authorization will complete this highway.

#### (2) CONSTRUCTION RESPONSIBILITIES

Responsibility for the actual construction of this highway is vested in the Bureau of Public Roads. In 1954, provision was made in the Federal Aid Highway Act, placing budgetary responsibility for this project in the Department of State.

#### (3) PROGRESS OF THE HIGHWAY

The Rama Road is designed to unite two sections which heretofore have been completely separated except by air transport or small boat traffic. The distance between San Benito and Rama is 155 miles, of which 136 miles of all weather road have been completed. There remains 19 miles of highway to be built and 8 bridges. At the present time, 14 miles of highway and 6 bridges are under contract. The \$2,350,000 requested for fiscal 1963 will be used in construction of the Siquia River Bridge, the largest bridge to be built, one remaining small bridge and the final 5 miles of highway, thus completing the project.

#### (4) IMPROVEMENTS ALONG THIS HIGHWAY

The area in eastern Nicaragua touched by the road is already benefiting with development of promising cattle, coffee, and mining industries. In addition, the augmented truck and bus traffic between Villa Somoza, Santo Tomas, Juigalpa and Managua already has resulted in increased imports of U.S. vehicles, parts,

petroleum, and allied products. Creation of a port at Rama will facilitate shipping and lower the cost of Nicaraguan imports and exports.

The following are some figures on the economic development along this highways:

Town	Distance from Managua (kilometers)	Population		1955		1960		Churches	
		1955	1960	Number schools	Students	Number schools	Students	1955	1960
Muhan.....	216	100	300	( <sup>1</sup> )	-----	1	100	( <sup>1</sup> )	1
La Gateada.....	226	25	200	( <sup>1</sup> )	-----	1	50	( <sup>1</sup> )	1
Chilamate.....	230	50	300	( <sup>1</sup> )	-----	1	65	( <sup>1</sup> )	1
Cacao.....	236	20	200	0	0	1	35	0	1
Espable.....	239	0	50	0	0	0	0	0	0
La Gorra.....	241	0	150	0	0	0	0	0	0
La Batea.....	246	10	800	0	0	1	90	0	0
Muella de los Bueyes.....	253	150	300	1	( <sup>1</sup> )	1	65	0	2

<sup>1</sup> Not known.

	1955	1960
Cattle.....	1,000	10,000
Hogs.....	3,000	15,000
Horses and mules.....	500	2,500
Grazing land (hectares).....	4,000	12,000
Land under cultivation (hectares).....	60,000	123,000
Lumber (hand sawn, board feet).....	Not known	100,000

Agriculture, fruit and forest products of the area are corn, rice, beans, sugar, bananas, platanos, yucca, pineapple, oranges, grapefruit, coffee, lumber, the root from which ipecac is made and the usual garden vegetables.

A spot traffic check of the traffic moving over the Rama Road was made at three different times and these figures projected into a 12-hour day has resulted in the following monthly traffic statistics:

Number of car or jeep trips on road per month.....	4,860
Number of truck or pickup trips on road per month.....	9,300
Number of bus or microbus trips on road per month.....	4,260

About 50 percent of this traffic is, quite naturally, concentrated in the San Benito-Boaco Junction stretch. Embassy estimates scheduled commercial bus trips per month from Managua to Rama Road at 2,500. Figures for trucks and jeeps appear high because of traffic roadbuilding vehicles. Based on above data and Embassy inquiries, it is estimated that 35,000 passengers are carried each month on buses or microbuses on the Rama Road.

(5) CLOSING STATEMENT

Prompt completion of this road will be one tangible way of assisting in the economic development of Nicaragua. Additionally, the prompt action of the United States with respect to the Rama Road will greatly influence the faith and confidence that Nicaragua and the other countries in Latin America have in U.S. commitments. Furthermore, and apart from the main question of integrity and policy, there exists a very real financial consideration, viz., that to date \$14,500,000 has been appropriated for the construction of the Rama Road. This \$2,350,000 will permit completion of the road and full value of this project will then be realized.

Mr. FALLON. Are there any other questions of Mr. May?  
 Thank you very much, Mr. May.  
 Mr. MAY. Thank you.  
 Mr. FALLON. Mr. Ghigliome.

**STATEMENT OF GRANT MICKLE, DEPUTY FEDERAL HIGHWAY ADMINISTRATOR; ACCOMPANIED BY ANGELO F. GHIGLIOME, DEPUTY DIRECTOR FOR OPERATIONS, BUREAU OF PUBLIC ROADS**

Mr. GHIGLIOME. Mr. Chairman, I am Mr. Ghigliome. Mr. Whitton, who is the Administrator, cannot be here, and Mr. Mickle, who is here, will make the statement for the Bureau of Public Roads.

Mr. FALLON. Will you give your name and title to the reporter, please?

Mr. MICKLE. I am Grant Mickle, Deputy Highway Administrator.

Mr. Chairman, and gentlemen, I am here at the request—

Mr. FALLON. Will you, for the benefit of the younger members of the committee, get a little closer to the microphone?

Our older members do not have any trouble hearing you.

Mr. MICKLE. Mr. Whitton is unavoidably out of the city today and he asked me to appear and read his statement for him, and I ask your permission that I may have Mr. Ghigliome here with me.

Mr. Chairman, and members of the committee, I am reading now from Mr. Whitton, I appreciate this opportunity to discuss with you the views of the Bureau of Public Roads and the Department of Commerce concerning a proposal sent to the Congress by the Department which would authorize funds for the completion of the Inter-American Highway. A related subject is the need for completion of the Rama Road in Nicaragua, the authorization of funds for which is being sought by the Department of State.

The Department of Commerce proposal, introduced by Mr. Fallon as H.R. 11973, would authorize the additional sum of \$32 million for the purpose of completing the construction of the Inter-American Highway. Such sum would be expended in accordance with the provisions of section 212 of title 23, United States Code, which provides, among other things, for continuing cooperation between the United States and the countries concerned in the survey and construction of this important highway, and for agreements relating to its maintenance and use.

This proposal also contains a condition that the authorization shall not be obligated until an adequate provision for maintenance is achieved.

Since 1930 the United States, acting through the Bureau of Public Roads, has been assisting the Central American Republics and Panama in the construction of the Inter-American Highway, which extends 3,142 miles from Laredo, Tex., to Panama City. And the map has been provided here for your information.

The 1,587-mile section in Mexico was completed entirely by the Mexican Government. Additional sections in each of the other countries have been completed by those countries; however, large sections have been undertaken with the assistance of the Bureau of Public Roads.

This work has been done under the provisions of section 212 of title 23, United States Code, whereby two-thirds of the cost is financed by the United States on a matching basis with the cooperating countries.

As of June 30, 1962, approximately \$470,000 of construction funds from prior appropriations remained unobligated, and it is anticipated that this amount will be fully utilized during the fiscal year.

With the expenditure of these remaining funds, the highway will be opened to an all-weather standard throughout its entire length, but will require additional grading, drainage and paving projects to bring it to the proposed standard.

The construction work to be done includes paving in Guatemala, Nicaragua, Costa Rica, and Panama; widening of substandard sections, and heavy retaining wall and revetment work through the unstable mountainous terrain of Guatemala and Costa Rica; and completion of the grading, drainage, base, bridges, and paving of the Guabala-Santiago cutoff in Panama. After the conclusion of this work, the responsibility of the Bureau of Public Roads for completing the construction of the Inter-American Highway will be terminated.

It is estimated that \$32 million will be needed to finance the U.S. share of the cost of completing the Inter-American Highway, conditioned on assurance of adequate maintenance.

Some of the largest increases in the cost of completing the highway have been due to inadequacy or lack of maintenance in many of the countries affected. Therefore, we believe it is in the best interest of the United States to participate in maintenance of the highway, both in initial financial help and in providing expert technical assistance where needed in order to protect our large investment.

As a practical matter, a majority of the countries concerned have been unable to maintain the completed portions of the highway, despite the existence of agreements providing for full maintenance by the countries concerned.

Participation to assure adequate maintenance can best be accomplished by the establishment of an Inter-American Highway Authority as proposed in the June 1960 report of the International Road Federation, made at the specific request of the public works ministers of the Central American Republics and Panama.

The highway authority membership would include the United States and the Republics of Guatemala, El Salvador, Nicaragua, Honduras, Costa Rica, and Panama. The United States would contribute 50 percent of the cost of operating this authority for the first 5 years with the remaining 50 percent to be borne by each of the Central American Republics in proportion to its share of the highway mileage.

It is anticipated that such assistance will result in a fully stabilized highway with increasing traffic, economy, and tax revenues for the Republics which will assure their assumption of the maintenance responsibility guaranteed by original agreements. The U.S. share of maintenance costs under an arrangement could be financed through foreign aid funds.

If legislation is enacted in line with the proposal by the Department of Commerce, and necessary maintenance arrangements are achieved, we feel that this essential international highway system can be completed under circumstances which will, in the long run, be mutually advantageous to the United States and to all the participating countries.

It is appropriate, in connection with the Inter-American Highway, to consider and discuss the Rama Road in Nicaragua which links the Inter-American Highway and the east coast river port of Rama.

The project statement and memorandum of understanding for the Rama Road, entered into between the Bureau of Public Roads and the Government of Nicaragua to execute the terms of the governing legislation, provides for the construction of a road between San Benito and Rama to mutually acceptable standards. While the United States is obligated to bear the entire cost of construction under this agreement, Nicaragua has nonetheless expended approximately \$4.8 million on this project.

The authorizations available to date are expected to be sufficient to complete the road up to the Sequia River, including a bridge over that river, leaving a final 5 miles of highway to Rama remaining to be built.

The general increasing trend in prices and the more difficult construction problems encountered in the dense rain forests toward the Atlantic coast of Nicaragua have contributed to exceeding the basic estimate for completion, made several years ago, which then covered some 19 miles and six bridges.

It is now estimated that an additional authorization and appropriation of \$850,000, proposed by the Department of State, will be needed to complete the road in accordance with the agreement with Nicaragua. This is the amount provided for in the budget for the fiscal year ending June 30, 1963.

We believe that this authorization will permit completion of and realization of the full value of our \$14.5 million investment in this important 155-mile road linking the Inter-American Highway and the east coast river port of Rama.

I shall be happy to answer any questions that you may have on these subjects or to furnish to the subcommittee any additional information it may wish.

Attached to this statement is a table showing, for each of the countries involved, the location and a description of work to be done to complete the Inter-American Highway under the Department of Commerce proposal.

And also attached to the statements that you have is a copy of the map which is displayed here.

Thank you.

Mr. FALLON. Thank you very much.

Mr. Wright?

Mr. WRIGHT. Mr. Mickle, there is, is there not, one exception to this general rule by which we contribute two-thirds to the cost of construction, that being in Panama, aside, of course, from the Mexican exception. Panama contributes higher, do they not?

Mr. GHIGLIOME. If I may speak, sir, no; Panama contributes one-third. However, they insist on concrete pavement in Panama.

Mr. WRIGHT. Yes.

Mr. GHIGLIOME. We have refused to go more than asphalt pavement, which is cheaper.

So we are participating in two-thirds of the cost of the asphalt pavement and they pick up the difference.

Mr. WRIGHT. They pick up the difference because they want to have a concrete road down there?

Mr. GHIGLIOME. Yes, sir. Yes, sir.

Mr. WRIGHT. That is a better and longer lasting road and, in addition to that, they have some industries down there which this makes employment for in their country and they are benefited by concrete roads.

Now, you have gone even a little further, or, Mr. Whitton has gone even a little further than the State Department, it seems to me, in proposing our financial participation on a continuing basis of maintenance of this project.

It is apparently the view of the Department of Commerce that we should join with them in the cost of maintaining this road, contrary to the earlier agreements entered into.

Is that correct?

Mr. MICKLE. I would like to comment upon the use of the word "maintenance."

This is probably a misnomer in this case because of the type of terrain through which this road goes.

There were many geological problems that we were very much unaware of initially. We have sustained many, many slides, many changes in the cuts, and so on.

And, actually, what we are talking about here is not maintenance but really postconstruction for this 5-year period, knowing full well that we are not through with the slides.

The Panama Canal is still sustaining slides after the many years that it has been in existence, and this road goes through much of the same kind of geological terrain.

And so we are talking here not so much in terms of normal maintenance as we are in terms of post construction projects to put the road back into shape in a manner somewhat different from what a normal maintenance program would be.

Secondly, the program for the 5-year period, we believe, in doing this postconstruction work, in company with their officials and with their technicians and with their labor force, would help to train the maintenance people in these countries to a higher standard of maintenance work, and at the conclusion of the 5 years, and it would take 5 years to train them adequately, this would then leave these countries in a position to maintain the road thereafter.

We do this type of training, actually, with the States even though we do not participate actually in the maintenance with these States.

We do work with them in helping upgrade the quality of their maintenance work and so on.

Mr. WRIGHT. Mr. Mickle, with respect to these rock slides, this is a hard slate rock that seems to work loose from its formation and slide down onto the road.

And I was there 2 years back in 1958, and some of the engineers for the Bureau of Public Roads indicated to me that they believed that they had discovered a means of preventing this by diverting the water, which works in subterranean passages between these rocks, dumping out below the river somewhere.

Has this proven to be a satisfactory means, do you know?

Mr. MICKLE. I do not believe that we have a complete answer to that yet, but I would like to have Mr. Ghigliome who has been down on the road just recently, give the answer.

Mr. GHIGLIOME. If you are speaking particularly about the Selegua Canyon, I am sure——

Mr. WRIGHT. Yes, sir.

Mr. GHIGLIOME (continuing). I have climbed up on top of those slides and they did, after you were down there, go to quite an effort to divert the water coming into the top of these slides.

This is several thousand feet above the road.

The country is cracked open and the water is getting into it, and that has helped. That has stabilized a couple of the biggest slides.

We hope we have them stopped. It has worked; however, there are new slides opening up.

This country, the whole country, is geologically young.

Now, we have held this El Tapon section through three wet seasons. We are in our third wet season now without slides of tremendous volume.

This half-a-million-yard type of slide that you saw was bad, and we know we are not out of the woods yet and, as these slides develop, as we see the ground crack open, that is one of the approaches to avoid further troubles, to get the water away from it, and it does work.

Mr. WRIGHT. Do you think in some areas retaining walls would be a preventive?

Mr. GHIGLIOME. Through that section it would be futile.

Mr. WRIGHT. It is just too high?

Mr. GHIGLIOME. That is right.

Mr. MICKLE. Too much pressure.

Mr. WRIGHT. I do not want to get into a technical discussion as to what constitutes "construction" and "maintenance."

I think the subject was opened up somewhat by Mr. Mickle's comments.

What you are saying, in effect, is that your proposal does not encompass long term, permanent maintenance but, rather, what you used to call postconstruction activity?

Mr. MICKLE. That is correct.

Mr. GHIGLIOME. Yes, sir——

Mr. MICKLE. Not to exceed 5 years.

Mr. GHIGLIOME. There is a precedent for this in the Bureau's handling of forest highways in the West.

For years we actually carried the cost of maintenance for 2 years after the highway was finished. This is mostly in the mountainous countries because of postconstruction.

The design of a road like this Selegua Canyon and the other sections in Guatemala, where we have plumper slopes that go terrifically high, we design almost vertical slopes because we find that they will hold in 80 percent of the cases.

That is an economical design but we know that 20 percent is going to come down eventually.

If we carried those slopes back flat enough so that we would get no slides the initial construction cost would be prohibitive.

But the failure of the Bureau, in our first estimates, and that is the reason we are back for more money repeatedly, is to recognize that those slides in that 20 percent of the area where we have vertical slopes, and they will not hold, are trully construction costs.

They are not maintenance costs. Now, we have sent back in many cases and asked those countries to go in and maintain those sections of the road where they have these half-a-million-yard slides where they are truly a construction gamble, and we are going to get more of those slides yet.

The heavy expenditures under this \$32 million are in that type of area in the Selegua Canyon area, in the Costa Rica Canyon area, where we know on one construction job even the best economical design will not furnish it.

We are going to have heavy costs thereafter that are not truly maintenance costs, and that tapers off.

We think 5 years will have cleaned it up to the point we can then walk off and say from here on now there is nothing but maintenance.

But, as Mr. Mickle has said, the Panama Canal, with the best of maintenance, after all of these years is still having slides.

Mr. WRIGHT. May I ask another question?

Is Porter E. P. Marshall still in Panama?

Mr. GHIGLIOME. Pep Marshall? No, sir; he has retired. He is now in Florida.

Mr. WRIGHT. Florida?

Mr. GHIGLIOME. Yes, sir.

Mr. CRAMER. Off the record.

(Discussion off the record.)

Mr. BALDWIN. Mr. Chairman, may I ask a question?

Mr. FALLON. Are you through?

Mr. WRIGHT. Yes.

Mr. FALLON. Mr. Baldwin.

Mr. BALDWIN. Mr. Mickle, just once again, since we are going to be considering specifically the Senate version, what is the position of the Department of Commerce on the bill as introduced by Mr. Fallon, and has the Department of Commerce at any time recommended the language added by the Senate committee?

Mr. MICKLE. The Department is in favor of the bill introduced by Mr. Fallon, and we do not introduce the language in the Senate revision.

Mr. BALDWIN. Second, whatever the discussion might be—is it Mr. Ghigliome?

Mr. GHIGLIOME. Yes, sir.

Mr. BALDWIN. Mr. Ghigliome and yourself brought out about this 5-year period, and I would say that once we enter into the Inter-American Highway Authority and the word "maintenance" is strewed all through your testimony here, that the inter-American nations will not have any understanding whatsoever that maintenance will be different at the 6th year than it is at the 4th year, as far as financing it goes.

In other words, I understand the point the gentleman has made. I can understand the problem of initial slides.

But, as I say, you have written "maintenance" all over your testimony and if maintenance is written all over any Inter-American Highway Authority that would then clearly indicate that the United States has assumed some responsibility for maintenance, and I do not think those countries are going to look at it any differently in the 6th year than the years before. Once we make a commitment for mainte-

nance I will just wager, as sure as I am sitting here, we are going to have requests from those countries to continue the same program indefinitely, no end. This is what concerns me deeply.

Mr. MICKLE. I think, Mr. Baldwin, that we need it to very clearly spell out what we do mean in this regard.

Mr. BALDWIN. Could I ask one further question?

What legislation would be required, so that I know exactly what the procedure would be, to create such an Inter-American Highway Authority? Are you folks going to have to come to Congress with the specific recommendation for the legislation to create such a highway authority and then authorization for financing it?

Mr. GHIGLIOME. The authority, sir, was recommended by the International Road Federation after a meeting of the ministers of each of these countries.

It now awaits action by those ministers as to whether they accept this authority. They have to sign away a little sovereign rights if they turn over responsibility to one authority, and there is a question along that line, and it takes their action first.

Then if the United States is to participate financially or technically, I presume it would have to have either foreign-aid funds or congressional funds.

Mr. BALDWIN. Besides the funds, will you have to come to Congress for authorization to enter into the Inter-American Highway Authority as a separate international agency?

Mr. GHIGLIOME. I do not believe so, sir.

Mr. BALDWIN. In other words, you could go ahead and sign an agreement to enter into it, and all you would have to do is to come to Congress to get the funds. Is that right?

Mr. MICKLE. I do not know that we can answer that question now, sir. I think we would have to get the advice of legal counsel.

Mr. BALDWIN. Mr. Chairman, I think we should ask for an answer to this question, sir.

We know exactly how far this thing can go before Congress expresses itself on it, because if the United States signs an agreement to enter and join this, and one of the provisions of the agreement is that we are entering into a commitment to provide maintenance for 5 years and only after that point, after they have entered into it, they come to Congress for authorization of appropriations, and they already tell us, "We have already made this commitment." It's up to us to us to carry out the moral and legal obligations of the United States.

And I think we should know right now what procedure would have to be followed to set this up, so we know how best to present our views on the floor on this issue.

Mr. GHIGLIOME. Mr. Baldwin, under present authorities we are entering into agreements with foreign countries under bank loans, international bank loans, through the World Bank, Export-Import Bank, where the bank loan requires that country to have technical advice or control of the program under the loan.

And now we do have authority to enter into a three-way agreement with an international bank of foreign countries, the Bureau of Public Roads, whereby all of our costs are paid for by the country under this loan to guide them in their technical program.

I presume that we would be under the same authority in this respect if our costs were reimbursed by the country out of the loan fund.

Mr. BALDWIN. You say you "presume."

Mr. Chairman, I would like to ask the Department of Commerce for a written comment to us before we ever get to the House floor as to what the actual procedure would be by which the United States could enter the Inter-American Highway Authority and at what stage they would have to come to Congress either for authority to enter, if any, or for any funds for it, because I think we have got to get an answer to this question.

Mr. MICKLE. We will be pleased to provide that information.

Mr. BALDWIN. Thank you.

Mr. CRAMER. Mr. Chairman?

Mr. JOHNSON. Mr. Chairman?

Mr. FALLON. Mr. Johnson.

Mr. JOHNSON. What arrangements do you make with the various agencies when you turn one of these forest highways over? Is there an actual agreement with the State when you turn these over? I have had experience with slides and what not, and I realize that major portions of slides have taken place on these highways. The post-construction lasts for how long? Is there a definite agreement spelled out?

Mr. GHIGLIOME. I cited that precedent, sir, that carried for many years. It is no longer in effect.

As of now, upon the completion of a construction program in the forestry highway, it is turned over to the State by agreement, and the State picks up all maintenance including postconstruction.

Mr. JOHNSON. Is there no further postconstruction?

Mr. GHIGLIOME. That is right.

Mr. FALLON. Mr. Cramer.

Mr. CRAMER. In reading your testimony, on page 3, with regard to "maintenance," and that I assume is in excess of the \$32 million "construction" that you say includes slides costs, you say:

The United States would contribute to 50 percent of the cost of operating this authority for the first 5 years with the remaining 50 percent to be borne by each of the Central American Republics in proportion to its share of the highway mileage.

You also say:

The U.S. share of maintenance costs under an agreement could be financed through foreign aid funds.

That sounds like a grant, 50 percent of the U.S. costs.

Mr. GHIGLIOME. Frankly, sir, that was my first proposal and I suppose my wording is carried through on this.

In the final negotiations, through our own department and the State Department, that has been changed now to the concept of a loan and not a grant.

But it was my thinking in line with this postconstruction that this was still actually part of our responsibility in constructing the road, but that is now changed to the concept of a loan.

Mr. CRAMER. Who would administer the expenditure of these funds?

Mr. MICKEL. The U.S. share?

Mr. CRAMER. The maintenance.

Mr. MICKLE. The authority would administer them for the maintenance program in the Central American countries.

As far as our portion of it is concerned, we would assume that the Bureau of Public Roads would.

Mr. CRAMER. I am talking about maintenance now.

If it is a loan, and this country borrows the money, are you going to have any right to administration, to see that it is properly spent for maintenance?

Mr. GHIGLIOME. The proposal for the authority is that the authority would be operated somewhat like a highway—a State highway department.

It would have a highway commission made up of the minister of each country and the U.S. representative. So we would have, you might say, one-sixth, of the say.

Mr. CRAMER. Which could be a State Department and not a Bureau of Public Roads representative?

Mr. GHIGLIOME. Except the State Department, in their statement, proposed that the Bureau be the responsible agency for the Government.

Mr. MICKLE. We would assume, since we are the roadbuilding agency for the U.S. Government in these countries, that we would also be involved in this matter.

Mr. CRAMER. Who made this request and how was it arrived at for \$32 million estimated cost of completion?

Mr. GHIGLIOME. That is a—

Mr. CRAMER. Figure out of the air, is it not?

Mr. GHIGLIOME. No, sir.

Mr. CRAMER. It must be. If it is no more reliable than the last, it must be. It is a 25-percent increase.

Mr. GHIGLIOME. No, sir. This is based on actual detailed designs. The contract plans are ready.

We have unit quantities and unit prices, and I will admit I have contingencies in here, too, that—

Mr. CRAMER. How much?

Mr. GHIGLIOME. But it is an engineering estimate.

Mr. CRAMER. How much contingency?

Mr. GHIGLIOME. It is around a 15-percent contingency over our present estimates of unit costs on that.

Mr. CRAMER. Well now, how did you come to your estimate of costs?

Is that costs of construction or costs of postconstruction of maintenance, meaning slides or what?

Mr. GHIGLIOME. This includes—this is cost of construction, of design construction, with our present experience on present contracts as the base for our unit costs.

Mr. CRAMER. And that includes cost of anticipated slides on the 20 percent of the cuts. Is that it?

Mr. GHIGLIOME. Just during the period of construction. Now, subsequent to that we have not picked up these postconstruction slides that we think are going to go on for 5 years after we turn the highway over.

Mr. CRAMER. But you have to cut the cost of slides already experienced?

Mr. GHIGLIOME. That is the reason for this tremendous increase. Yes, sir.

Mr. CRAMER. You did not foresee those slides in your initial estimate of costs?

Mr. GHIGLIOME. You are correct, yes, sir.

Mr. CRAMER. Despite your experience in the other mountainous areas of the United States?

Mr. MICKLE. This is a much younger country and the geological formations are different than we are experiencing in most parts of the United States.

Mr. CRAMER. It did not become obvious after the first few miles of construction?

Mr. GHIGLIOME. Sir, I am relatively new at the Bureau.

I spent 25 years in Alaska and the last 10 years in charge of their highways and this is country almost identical to my experience in Alaska.

And after my first trip over this highway I immediately came back and started generating a reasonable estimate. Now, it is a fact that there were errors in the face. The estimates were not realistic.

Mr. CRAMER. Are those estimates that you have now made based upon cost of construction in the United States or cost plus in Central America?

Mr. GHIGLIOME. The cost that we are experiencing in Central America right now. Yes, sir.

Mr. CRAMER. In other words, based upon your experience in the rest of the construction—

Mr. GHIGLIOME. Yes, sir.

Mr. CRAMER (continuing). And those costs are substantially higher than the United States, are they not?

Mr. GHIGLIOME. Not appreciably, no, sir. Of course, they do have cheaper labor but they have higher equipment, import-export cost, and so forth, and our agreement with the countries permit bringing this equipment in without local revenue, local taxes, and so forth.

The costs are quite comparable with those in the States.

Mr. CRAMER. Are those contracts required to be let on bids?

Mr. GHIGLIOME. Yes, sir, strictly stateside standards all the way through.

Mr. CRAMER. How competitive a bidding system is it?

Mr. GHIGLIOME. We permit bids by local contractors, that is Central America and United States only, and in most cases we are getting very good bids; that is, a minimum number of three and sometimes up to eight or nine.

Mr. CRAMER. I will yield to the gentleman.

Mr. ROBISON. I was going to call your attention, Mr. Cramer, to the fact that the last sheet of Mr. Whitton's statement has a breakdown, or is purported to be a breakdown, of the "maintenance" or, rather, "construction" costs, totaling \$32 million.

Some of these items, reading them over, do sound a good deal more like maintenance or repair than they do even postconstruction or, at least, some of them do to me.

Without further explanation, sir, I notice, reading down the list, an item of Guatemala, "repair base and bituminous surface."

The second one below that is "repair base and bituminous surface."

Mr. GHIGLIOME. Yes, sir. I can explain each one of those. There are four of them. The first two you mentioned, 5.8 miles and 11.8 miles, are sections of pavement which were put down in 1950. That is 12 years ago.

And, frankly, the failure there is due to lack of maintenance.

You might say we are picking up the ravages of the country having failed on their maintenance.

The next one, the Nicaraguan, the 27.6 miles, "reconstruct base and bituminous surface," was just a penetration asphalt job. In other words, a squirt of asphalt in 1951, and that was never finished to the standards that it was understood and agreed to with all of these countries. There, you might say, we have the dust pallet on the road for 12 years, and we have to repave it.

Now the section of 68.3 miles in Costa Rica, the first item under Costa Rica, was paved in 1960. That is new pavement. It was a penetration job. In other words, it was not up to standards. That is a section of highway between the ports of Las Canas and San Ramon. In other words, all of the Pacific freight going in to San Jose comes over that section.

Frankly, it was underdesigned. It was at a time when they were trying to finish the highway with the money they had, and they skimped, and it was a poor gamble.

It is where the Bureau of Public Roads admits that it was underdesigned. It has failed, and we have to go back and rebuild it, because it has been quite a sore point with the Costa Ricans, because they put in a lot of money on it, and they say the Bureau wasted their money.

Mr. ROBISON. Who was in charge of that designing?

Mr. GHIGLIOME. I cannot name the man.

Mr. ROBISON. I do not mean that. But was it down there in Costa Rica or here?

Mr. GHIGLIOME. There is nobody there now that had anything to do with it. We have a completely new staff in the Inter-American Highway since I have been connected with it in the last 3 years.

Mr. ROBISON. It just seems to me, Mr. Chairman, that we are going to have some trouble in explaining the cost of "completion" to various people right off the bat, unless we, as has already been indicated on the floor—and I can think of several right off the bat—unless we, as has already been indicated by other Members, are pretty well aware in our own minds as to what the real situation here is.

Mr. CRAMER. May I ask just one question in conclusion?

Do you have any objection of any language to the effect that this is the final payment by the United States? I do not know how else we can do it. We have said it in the reports and on the floor, but it has not been in the body of the legislation. Do you have any objection to saying, for instance, on line 5, that it is hereby appropriated, the final payment by the United States for such purpose, the additional sum of \$32 million?

Mr. GHIGLIOME. I would not hedge—

Mr. CRAMER. I think these South American countries have to be put on notice that this is it.

Mr. GHIGLIOME. I agree, and I think it should be in there.

Mr. CRAMER. And as far as the people on the floor of the House are concerned, this is it, maybe.

Mr. MICKLE. We hope that it is.

Mr. CRAMER. Would you object to the language?

Mr. GHIGLIOME. I would not, sir.

Mr. CRAMER. That is all.

Mr. FALLON. Thank you very much, gentlemen.

Mr. Mickle, the chart following your statement will be included in the record.

(The chart referred to follows:)

*Location and description of work to be done to complete the Inter-American Highway*

Country and location	Length to be improved (miles)	Description of work required	U.S. funds to complete (thousands of dollars)
Guatemala:			
Mexican border to San Cristobal.....	94.9	Widen, remove slides, half bridges, retaining walls, revetment work, stabilize roadbed, base and bituminous surface.	\$6,264
Las Vinas to Barberena.....	5.8	Repair base and bituminous surface...	47
Barberena to Asuncion Mita.....	57.5	Base and bituminous surface.....	1,789
Asuncion Mita to El Salvador.....	11.8	Repair base and bituminous surface...	110
Subtotal, Guatemala.....	170.0	-----	8,210
El Salvador: Border to border.....	0	None.....	0
Honduras: Border to border.....	0	None.....	0
Nicaragua: Nandaima to Rivas.....	27.6	Reconstruct base and bituminous surface.	970
Costa Rica:			
Las Canas to San Ramon.....	68.3	do.....	2,750
Cartago to San Isidro.....	71.0	Widen, realine, remove slides, stabilize roadbed, base, and bituminous surface.	5,734
San Isidro to Panama border.....	133.0	Remove slides, stabilize roadbed, base, and bituminous surface.	5,300
Subtotal, Costa Rica.....	272.3	-----	13,784
Panama:			
Guabala to El Pajal.....	26.7	Complete grading, drainage, base bridges, and concrete pavement.	5,900
El Pajal to Santiago.....	35.3	Concrete pavement.....	1,348
Subtotal, Panama.....	62.0	-----	7,248
Total.....	531.9	-----	30,212
U.S. administration.....		Note: All sections to be worked on must be maintained and kept open to traffic during construction.	1,788
Grand total.....	531.9	-----	32,000

(Whereupon, at 11:50 a.m., the committee went into executive session.)



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