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90-14 AMEND SECTION 27 OF THE MERCHANT MARINE  
ACT OF 1920

GOVERNMENT  
Storage

HEARING  
BEFORE THE  
SUBCOMMITTEE ON  
MERCHANT MARINE AND FISHERIES  
OF THE  
COMMITTEE ON COMMERCE  
UNITED STATES SENATE  
NINETIETH CONGRESS

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FIRST SESSION

ON

S. 292

TO AMEND SECTION 27 OF THE MERCHANT MARINE ACT OF  
1920, TO ALLOW USE OF BRITISH COLUMBIA FERRIES FOR  
ALASKA-BOUND CARGO

MAY 18, 1967

Serial No. 90-14

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AMEND SECTION 27 OF THE MERCHANT MARINE  
ACT OF 1920

HEARING

BEFORE THE

COMMITTEE ON COMMERCE

WARREN G. MAGNUSON, Washington, *Chairman*

- |                                    |                              |
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Serial No. 80-11



UNITED STATES HOUSE OF REPRESENTATIVES

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AMEND SECTION 27 OF THE MERCHANT MARINE ACT  
OF 1920

THURSDAY, MAY 18, 1967

U. S. SENATE,  
COMMITTEE ON COMMERCE,  
SUBCOMMITTEE ON MERCHANT MARINE AND FISHERIES,  
Washington, D.C.

The subcommittee met at 10:05 a.m. in room 318, Old Senate Office Building, Hon. E. L. Bartlett (chairman of the subcommittee) presiding.

OPENING STATEMENT BY HON. E. L. (BOB) BARTLETT, CHAIRMAN,  
U. S. SENATE SUBCOMMITTEE ON MERCHANT MARINE AND  
FISHERIES

Senator BARTLETT. The committee will be in order.

Today we initiate hearings on S. 292, a bill introduced by Senator Gruening of Alaska which would amend section 27 of the 1920 Merchant Marine Act, commonly known as the Jones Act, so as to permit the use of Canadian ferries in transporting merchandise to southeastern Alaska. What this means as a practical matter is that if this bill should become law, goods could be trucked to Canada, transported on British Columbia ferries to Prince Rupert and then transferred to the Alaska ferries for carriage to southeastern Alaska. This would provide an alternative and often more direct method of transporting merchandise to this area of Alaska than is presently possible under the Jones Act. A copy of the bill will be inserted in the record at this point followed by comments from various agencies as requested by the committee.

(The bill referred to follows:)

[S. 292, 90th Cong., first sess.]

A BILL To amend section 27 of the Merchant Marine Act, 1920, in order to exempt from the provisions of such section certain transportation of merchandise which is in part over Canadian highways

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That section 27 of the Merchant Marine Act, 1920, as amended (46 U.S.C. 883), is amended by striking out the third proviso and inserting in lieu thereof the following: "Provided further, That this section shall not apply to merchandise transported between points within the continental United States, including Alaska, over through routes heretofore or hereafter recognized by the Interstate Commerce Commission for which routes rate tariffs have been or shall hereafter be filed with said Commission when such routes are in part over Canadian rail lines or Canadian highways and their own or other connecting water facilities, except that this proviso as it relates to the transportation of merchandise over routes which are in part over Canadian highways shall be effective only during such time or times as the Secretary of Transportation

Staff member assigned to this hearing: Stanley H. Barer.

determines that the Government of Canada grants similar privileges with respect to the use of United States vessels in the transportation of merchandise between points in Canada:".

COMPTROLLER GENERAL OF THE UNITED STATES,  
Washington, D.C., March 20, 1967.

HON. WARREN G. MAGNUSON,  
Chairman, Committee on Commerce,  
U.S. Senate.

DEAR MR. CHAIRMAN: We refer to your letter of January 20, 1967, asking for our comments on S. 292.

The bill would amend section 27 of the Merchant Marine Act, 1920, as amended, 46 U.S.C. 883, to permit transportation of merchandise between points in the United States in other than United States built or owned vessels when such transportation is over Interstate Commerce Commission-approved through routes which are in part over Canadian highways and connecting water facilities. The effectiveness of the amendment would be made contingent upon the granting of reciprocal privileges by the Government of Canada with respect to United States vessels in the transportation of merchandise between Canadian points over routes which are in part through Alaska and connecting Alaskan water facilities.

Section 27 of the Merchant Marine Act, 1920, the so-called Jones Act, is a cabotage law generally restricting the transportation of merchandise between points in the United States, Districts, Territories and possessions thereof, to United States vessels. At present, several provisos in the Act exempt various categories of traffic from the general restriction, one of these categories being the transportation of merchandise over Interstate Commerce Commission-approved through routes which are in part over Canadian rail lines and connecting water facilities. The subject act would put motor carrier routes on a parity with the rail routes already within the exemption.

Traffic between points in the coterminous states and Alaska can move in several ways, including a sea route available between Seattle, Washington, and Alaska ports. There are two all-highway routes which may be used. One extends from various ports of entry on the international boundary north of Seattle and Bellingham, Washington, to either Anchorage or Fairbanks, Alaska. The other extends from the Sweetgrass, Montana, port of entry to the same points. Additionally, since the opening of the Alaska Ferry System, routes are available from these same ports of entry via highway to Prince Rupert, British Columbia, thence by ferry to various ports in southeast Alaska, of which only Haines can be reached by all-highway routes. A highway runs north from Haines to other Alaska points. See *Alaska Truck Transport, Inc., Extension—Alaska*, 1965, 99 M.C.C. 668; *Lindstrom Extension—Southeast Alaska*, 1965, 98 M.C.C. 647.

The province of British Columbia operates a ferry system which extends from Vancouver, British Columbia, to Prince Rupert. Were it not for the cabotage laws of both the United States and Canada, merchandise of both nations could be moved jointly over the respective ferry systems of both Alaska and British Columbia. Because of the limited number of all-highway routes between points in Alaska and other United States points, and between certain points in Canada and other Canadian points, mutual use of both these ferry systems would seem to be advantageous to the commerce of both nations.

The primary purpose of S. 292 is, as we understand it, to permit such use. But the language of the bill, as now drafted, is broad enough to extend the exemption from the cabotage laws to vessels other than those operated in the ferry systems of Alaska and British Columbia. And, conceivably, this factor might make the bill objectionable, from a policy standpoint, to the interests of both the United States and Canada. If your Committee should deem the bill to be in the public interest when limited to an exemption encompassing only those vessels operated in the British Columbia ferry system, we would suggest for consideration an amendment to the third proviso, as it now appears in the law, by adding the following language: " \* \* \* or are in part over Canadian highways and the British Columbia ferry system, except that this proviso as it relates to the transportation of merchandise over routes which are in part over Canadian highways and the British Columbia ferry system shall be effective only during such times as the Secretary of Transportation determines that the Government of Canada grants reciprocal privileges with respect to the transportation of merchandise between points in Canada over routes including Alaska highways and the Alaska ferry system:".

On the other hand, should the Committee be disposed to accept the broader exemption as now provided in the bill, we suggest that the words "their own or other," line 4, page 2, be deleted. The words are compatible when used in connection with the phrase "Canadian rail lines" but they do not appear to be appropriate when used with the phrase "Canadian highways" since highways generally are not thought of as constructive or corporate persons or as having the capacity to "own" anything.

The question whether mutual use by the United States and Canada of joint service over the Alaska and British Columbia ferry systems is sufficiently in the public interest to warrant the proposed exemption from the restriction of the Jones Act is, of course, one of policy for resolution by the Congress. Accordingly, we do not offer any recommendation one way or the other on the merits of the bill but we have no objection to favorable consideration by your Committee.

Sincerely yours,

FRANK H. WEITZEL,  
*Assistant Comptroller General of the United States.*

OFFICE OF THE SECRETARY OF TRANSPORTATION,  
*Washington, D.C., May 18, 1967.*

HON. WARREN G. MAGNUSON,  
*Chairman, Committee on Commerce,  
U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: Reference is made to your request for the views of this Department on S. 292, a bill to amend section 27 of the Merchant Marine Act, 1920, in order to exempt from the provisions of such section certain transportation of merchandise which is in part over Canadian highways.

Section 27 of the Merchant Marine Act, 1920, commonly referred to as the Jones Act, provides that merchandise shall not be transported by water, or by land and water, between points in the United States embraced within the coast-wise laws, either directly or via a foreign port, or for any part of the transportation in any other vessel than a vessel built in the United States, documented under the laws of the United States and owned by citizens of the United States. Merchandise transported between points within the continental United States, including Alaska, over through routes recognized by the ICC for which rate tariffs have been filed is exempt from this provision of Section 27 when such routes are in part over Canadian rail lines and their own or other connecting water facilities. The proposed legislation would broaden this existing exemption to also include merchandise transported in part over Canadian highways. The proposed legislation also provides that the exemption applicable to merchandise transported in part over Canadian highways shall be effective only when the Secretary of Transportation determines that the Government of Canada grants similar privileges to U.S.-flag vessels in the transportation of merchandise between points in Canada.

During 1963 the State of Alaska started a ferry service carrying automobiles, trucks and passengers in foreign and domestic commerce between Prince Rupert, British Columbia, and the southeastern Alaskan ports of Ketchikan, Wrangell, Pettersburg, Sitka, Juneau, Haines and Skagway. This service has become an important adjunct to the transportation system of southeast Alaska. Last year the British Columbia government inaugurated a new ferry service between Vancouver Island and Prince Rupert. The unrestricted use of the combined Alaska and British Columbia ferry systems would provide the people of southeastern Alaska with a truly integrated and coordinated transportation system that would be more economic, efficient and reliable than the means of service that now exist. As it is now, trucks and trailers must proceed overland to Prince Rupert to connect with the Alaskan ferry system. Use of British Columbia ferries to connect with the Alaskan ferry system at Prince Rupert is a shorter route and is open all year. Under existing law merchandise transported by truck and trailer utilizing both ferry systems would be subject to the penalty of forfeiture by the Bureau of Customs; however, the same merchandise moving by rail and water or truck to Prince Rupert would not be penalized.

This Department believes the time has come to recognize the fact that certain provisions of the Jones Act are causing undue hardship and unnecessary inconvenience to some of the citizens of this country. There have been significant changes in transportation services since the inception of the Jones Act and we believe S. 292 would provide a revision needed as a result of changing times insofar as Alaska is concerned. We would point out that if the Canadian govern-

ment does not change its present cabotage laws, S. 292, as now written, would be ineffective for the purpose intended.

We recognize that there are different approaches to solving the problem which S. 292 is intended to solve. In this connection we believe that H.R. 4512, a bill similar in nature to S. 292, would also substantially accomplish the same purpose as S. 292, although on a lesser scale since it applies only to Alaskan movements.

Subject to the foregoing reservation, this Department has no objection to S. 292. The Bureau of the Budget advises that from the standpoint of the Administration's program there is no objection to the submission of this report for the consideration of the Committee.

Sincerely yours,

JOHN L. SWEENEY,  
Assistant Secretary for Public Affairs.

GENERAL COUNSEL OF THE DEPARTMENT OF COMMERCE,  
Washington, D.C., May 18, 1967.

Hon. WARREN G. MAGNUSON,  
Chairman, Committee on Commerce,  
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in further reply to your request for the views of this Department concerning S. 292, a bill to amend section 27 of the Merchant Marine Act, 1920, in order to exempt from the provisions of such section certain transportation of merchandise which is in part over Canadian highways.

Section 27 of the Merchant Marine Act, 1920, generally prohibits the carriage of merchandise by water between U.S. ports in vessels other than those built in and documented under the laws of the United States and owned by U.S. citizens. The third proviso in section 27 exempts from this requirement merchandise transported between points in the Continental United States, including Alaska, over through routes for which tariffs are on file with the Interstate Commerce Commission when the routes are in part over Canadian rail lines and connecting water facilities. S. 292 would amend this third proviso to exempt from the requirements of section 27 merchandise carried on through routes including either Canadian rail or Canadian highway transportation connecting with water facilities. The bill would require that the exemption for through routes including Canadian highways would be effective only during such times as the Secretary of Transportation determines that Canada grants similar privileges to U.S. facilities in the transportation of merchandise between points in Canada.

The bill is intended to permit shipment of goods from the United States to Alaska utilizing trucks to Vancouver Island and ferries from Vancouver to southeastern Alaska via Prince Rupert, British Columbia. The present exemption relating to rail-water through routes permits shipment by train to New Westminster, British Columbia, and thence via water to Whittier, Alaska which is in the south central portion of Alaska.

The proposed legislation can be expected to provide lower cost transportation service for the southeast portion of Alaska which for various reasons is unable to derive any benefit from the existing exemption for through rail-water routes. Lower cost transportation service for southeastern Alaska is needed if products of that region are not to be at an unwarranted competitive disadvantage. In this connection it should be noted that a number of areas in Alaska are lagging in their economic development and have been designated as redevelopment areas under the Public Works and Economic Development Act.

It is our general view that absent unique conditions the coastwise trade should be limited to vessels documented under U.S. law and owned by U.S. citizens. On balance, the Department of Commerce feels that the situation of southeast Alaska constitutes a unique condition. Moreover, the limited waiver of the cabotage laws contemplated by this legislation appears to be a justifiable extension of the exemption from the cabotage laws presently provided for goods moving to Alaska by rail-water through routes.

Accordingly, we are not opposed to enactment of S. 292.

We have been advised by the Bureau of the Budget that there would be no objection to the submission of our report to the Congress from the standpoint of the Administration's program.

Sincerely,

ROBERT E. GILES, General Counsel.

OFFICE OF THE ATTORNEY GENERAL,  
Washington, D.C., May 22, 1967.

Hon. WARREN G. MAGNUSON,  
Chairman, Committee on Commerce,  
U.S. Senate, Washington, D.C.

DEAR SENATOR: This is in response to your request for the views of the Department of Justice on S. 292, a bill "To amend section 27 of the Merchant Marine Act, 1920, in order to exempt from the provisions of such section certain transportation of merchandise which is in part over Canadian highways."

Section 27 of the Merchant Marine Act of 1920 (46 U.S.C. 883), provides that it is unlawful to transport merchandise by water, or by land and water, between points in the United States either directly or via a foreign port in a vessel not built in, documented under the laws of, and owned by citizens of the United States. The section's third proviso excepts from its operation transportation over through routes, in part over Canadian rail lines and their own or other connecting water facilities, for which tariffs have been filed with the Interstate Commerce Commission.

The bill alters the third proviso to permit use of Canadian water carriers where that movement is part of a through route over Canadian highways. However, the new provision would be limited in that it would be effective only during such times as the Secretary of Transportation determines that the Canadian Government grants similar privileges with respect to use of United States vessels in transportation of merchandise between points in Canada.

This limitation may be viewed as both procompetitive and anticompetitive. It is procompetitive in that it would encourage the Government of Canada to grant United States vessels the right to compete for transportation of Canadian goods between points within Canada. It is anticompetitive in that it prevents the through motor routes authorized by the bill from coming into operation until the Canadian Government offers United States vessels the same privileges.

The Department of Justice has no objection to enactment of this legislation. However, the Alaskan economy should be materially enhanced by the provisions of this bill taking effect without regard to whether reciprocal action is taken by the Canadian Government. Therefore, it is suggested that the limitation be deleted so that major competitive transportation alternatives may be opened up for the substantial American commerce between the forty-eight contiguous states and Alaska.

The Bureau of the Budget has advised that there is no objection to the submission of this report from the standpoint of the Administration's program.

Sincerely,

RAMSEY CLARK, *Attorney General.*

DEPARTMENT OF STATE,  
Washington, May 23, 1967.

Hon. WARREN G. MAGNUSON,  
Chairman, Committee on Commerce,  
U.S. Senate.

DEAR MR. CHAIRMAN: The Secretary has asked me to reply to your letter of January 23, 1967, requesting comments on S. 292, a bill "To amend section 27 of the Merchant Marine Act, 1920, in order to exempt from the provisions of such section certain transportation of merchandise which is in part over Canadian highways."

The Department perceives no foreign policy objection to the enactment of this bill.

The Bureau of the Budget advises that from the standpoint of the Administration's program there is no objection to the submission of this report.

Sincerely yours,

WILLIAM B. MACOMBER, Jr.,  
*Assistant Secretary for Congressional Relations.*

FEDERAL MARITIME COMMISSION,  
OFFICE OF THE CHAIRMAN,  
May 25, 1967.

Hon. WARREN G. MAGNUSON,  
*Chairman, Committee on Commerce,  
U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: You have requested the views of the Federal Maritime Commission with respect to S. 292, a bill to amend section 27 of the Merchant Marine Act, 1920, in order to exempt from the provisions of such section certain transportation of merchandise which is in part over Canadian highways.

As you know, the cabotage laws and their administration are not within the jurisdiction of the Federal Maritime Commission. The Commission is, nonetheless, basically opposed to exemptions from the cabotage laws as a national policy.

In addition, however, the Commission does have deep concern for adequate, efficient and economical transportation to and from Alaska, and we are therefore pleased to meet your request to submit comments with respect to this bill.

The bill would exempt from provisions of the cabotage laws, section 27 of the Merchant Marine Act, 1920, merchandise transported between points within the continental United States, including Alaska, which moves in part over Canadian or other water carriers, provided such merchandise is transported at through rates and over through routes recognized by the Interstate Commerce Commission and for which tariffs have been filed with the Interstate Commerce Commission.

Section 27 of the 1920 act presently exempts from the cabotage law such routes when they are in part over Canadian rail lines "and their own or other connecting water facilities."

This proposed bill would extend this exemption to merchandise moving over Canadian highways.

If the hearings before your committee indicate that this bill would establish an improved avenue for movement of cargo between the United States and Alaska which would not have an adverse impact upon existing and essential American flag steamship services in this trade, then the Commission would not oppose passage of S. 292.

However, the language of S. 292 may be broader than necessary to accomplish its objectives. Vessels other than those under Canadian registry would be exempt from the cabotage laws under the proposed bill. Also, the service allowed by this bill would permit operations to any area of Alaska, and the volume of service would be unrestricted. We would suggest that if this legislation receives favorable action it be carefully restricted to vessels of Canadian registry only, and to the particular area and to the volume and type of operations which are considered necessary for the improvement of transportation between the United States and Alaska.

The Bureau of the Budget has advised that there would be no objection to the submission of this letter from the standpoint of the Administration's program.

Sincerely yours,

JOHN HARLLEE,  
*Rear Admiral, U.S. Navy (Retired), Chairman.*

Senator BARTLETT. We shall disregard protocol in this instance and instead of calling first the author of the bill, Senator Gruening, the committee invites Congressman Howard W. Pollock of Alaska to testify. The committee understands that he is required to catch a train?

#### STATEMENT OF HON. HOWARD W. POLLOCK, U.S. CONGRESSMAN FROM THE STATE OF ALASKA

Mr. POLLOCK. Yes, sir, the first train I will be on in many, many years, going to New York.

Senator BARTLETT. Will you please explain this?

Mr. POLLOCK. I'm going with a congressional delegation, Senator, and we are leaving at 11:15 or have to be there at 11:15. I think there is time, but I do appreciate the opportunity to testify.

Senator BARTLETT. This is rather unique. No one has been before the committee in quite a while who has traveled by train, although as

this is not the Surface Transportation Subcommittee, perhaps we do not have the best information.

Mr. POLLOCK. Aside from the Alaska Railroad, I haven't been on one in a long time.

Senator BARTLETT. If you would give us more time, we would try to arrange a sea trip for you to New York.

We will be glad to hear your testimony, Representative Pollock.

Mr. POLLOCK. Mr. Chairman and members of the Subcommittee on Merchant Marine and Fisheries, I am most grateful for the invitation to appear before your committee today. The bill now being considered, S. 292, is of great importance to a large part of the State of Alaska. I am here to speak in favor of its enactment.

A glance at a map of Alaska will quickly show the unique problems of southeast Alaska. Of the four means of hauling freight, only two are available to the people living in this region—air cargo and marine shipping. No roads or railroads are available to southeast Alaska, with two small exceptions at the northern end of the inland passage. Only one major water carrier, the Alaska Steamship Co., and one airline, Pacific Northern Airlines, bring freight to a populated area of 38,000 square miles. I think this is a situation unique in the country.

Since much freight cannot be transported by plane, the real lifeline to this area is the one steamship company. This company has provided an essential service to Alaska for many years. Without the Alaska Steamship Co., virtually nothing would move in or out of southeast Alaska today. Unfortunately, the ships involved in this trade are old and inefficient. Docking facilities are usually quite inadequate. Service to the area has been unprofitable for the company, and I might add very costly for the consumer. Repeated rate increases have been requested by Alaska Steamship Co. in an attempt to cut losses.

The Alaska Steamship Co., is necessary to the area, and we are hopeful that improvements can be made and rate increases halted. Nevertheless, it has been evident that an additional means of freight handling should be established. Reliance on one carrier, I think, is unhealthy for any area. Shortly after statehood, Mr. Chairman, as you know, the State of Alaska bonded itself for nearly \$12 million to finance a three-ship, auto-ferry system. With the inauguration of this service in 1963, the possibility of shipping freight by truck became a reality, even in an area almost wholly devoid of roads.

These ships begin their voyages at Prince Rupert, British Columbia. This port is the Pacific terminus of the Canadian National Railway and Provincial Highway 16. Trucks can move from the lower 48 States over Canadian highways and board the ferry system at this point. The Alaska ferry system or marine highway, as we call it, stops at even southeast Alaska ports. A planned enlargement of the system in the near future will add several smaller towns to the schedule. An even brighter possibility appeared with the recent inauguration of an auto-ferry operated by the province of British Columbia. This ship leaves Vancouver Island about 200 miles north of Seattle, and terminates at Prince Rupert, British Columbia. From there a trucker can transfer his van to the Alaska ferry system for delivery to ports in southeast Alaska.

I think this is a very important possibility for the people in southeast Alaska. We are most anxious to have the committee give a

favorable recommendation to Senator Gruening's bill in order that this might happen.

There is only one hitch that exists in this otherwise perfect transportation system. Federal law prohibits the transportation of merchandise on the British Columbia ferry, since it is a Canadian built vessel. No shipper can put merchandise on the Canadian ferry unless he wishes to risk confiscation under Federal law. This imposes a burdensome restriction on the people of southeast Alaska, without a corresponding benefit to anyone else. No private shipper, to my knowledge, intends to operate a car ferry along the British Columbia coast. I have been informed by the local representative of the sole existing carrier, Alaska Steamship Co., that they do not oppose legislation to allow shipments on the Canadian vessel. Mr. Chairman, without such opposition, there is no apparent interest that would be harmed by the passage of this bill.

I have introduced a similar measure in the House, H.R. 4512, which is somewhat narrower in scope than S. 292. It specifically names the British Columbia ferry system as exempt from the prosecution of section 27 of the Merchant Marine Act of 1920, the so-called Jones Act. I have no particular preference between the two bills, since my only desire is to remove, in the quickest way possible, the strictures of the Jones Act which now hamper the development of Alaska.

I am happy to support S. 292, and urge the Senate to give the bill its favorable consideration.

Senator BARTLETT. Thank you, Congressman Pollock. Do you have a draft of your bill with you?

Mr. POLLOCK. Yes, I do.

Senator BARTLETT. I wonder if we might see that.

Mr. POLLOCK. Certainly.

Senator BARTLETT. Now, a redraft of Senator Gruening's bill has been prepared and it is more restrictive than S. 292 and, in many ways, is like H.R. 4512, which you have introduced. It has certain specific limitations. It limits the use of foreign vessels to Canadian ferries and Canadian ferries only. The fear has been expressed that the language might be too broad and permit the use, and not necessarily to Alaska, of foreign flag vessels of any nation. The redraft would prevent this.

It limits the vessels which can be used in carriage of freight transported in part on Canadian ferries to Alaska ferries built within the United States.

Mr. POLLOCK. Mr. Chairman, I think your substitute proposal and my bill are both narrower in scope than S. 292. Mine, using different words, of course, does the same thing as the redraft. It restricts it solely to the use of the ferry system of British Columbia so far as any foreign bottom is concerned.

Senator BARTLETT. This redraft does two other things. It limits the application of the bill to southeastern Alaska and removes the language concerning ICC filings. Now I know it is difficult for you to render a judgment upon this without opportunity to study it further and more carefully, but in general terms, what would be your view of that redraft?

Mr. POLLOCK. Mr. Chairman, I appreciate your pointing out the additional information. I think they are good points. Without serious

study, I'm not sure. I certainly would have some other comments if I did study it further, I feel, but No. 1, I'm sure Senator Gruening and certainly in my case, I have no pride of authorship in having any particular kind of wording. I think this is intended to apply to southeastern Alaska and if the additional ICC restrictions are removed from the wording of the bill, I think this is an asset. I think this is a good change or good amendment and I certainly would encourage passage.

Senator BARTLETT. Well, your representative will remain in the room and we will furnish him a copy of the redraft and we would appreciate your further comments by letter, if that is all right with you.

Mr. POLLOCK. Very good, sir; I would be pleased to do it.

Senator BARTLETT. One further question and we will allow you to leave to catch your train. This arises as a point of curiosity. You said there are no roads or railroads available to southeastern Alaska with two small exceptions at the northern end of the inside passage. Did you mean White Pass in Yukon and the short stretch of highway?

Mr. POLLOCK. Yes, sir, and talking about the stretch of highway going out of Haines.

Senator BARTLETT. Connecting with the Alaskan Highway?

Mr. POLLOCK. Yes, sir.

Senator BARTLETT. Thank you, Mr. Congressman.

Mr. POLLOCK. Mr. Chairman and members of the committee, I appreciate very much the opportunity to testify and would like to close by urging that some type of legislation be passed. I think it is vital to the development of southeastern Alaska.

Senator BARTLETT. I said I would only ask you one more question. Let me ask you another one. Do you think any considerable amount of freight would be diverted if this bill or some version of it became law?

Mr. POLLOCK. I think there would be a diversion of freight, but right now, part of the problem is that it is a totally impossible thing to get freight to some of these areas. Mr. Chairman, I think you are aware that recently in the northwest part of the United States, there was a man who took a shipment of 4 by 8 plywood sheets—he wanted to move them into southeastern Alaska, I believe, to Sitka—I'm not certain of this—and moved them over to Prince Rupert and then found that he was in violation of the Federal law in simply trying to get this material over to his home in Sitka so that he could do some building. I think this is a ridiculous situation for American citizens to have to live under and I don't think it was ever envisioned with the passage of the Jones Act in 1920. I think this is a unique and different situation.

I do think there will be some additional freight that will be moved there and, of course, that is the specific purpose of each piece of legislation here which would amend the act. I think it will be very meaningful. I think it is very vital, very necessary to the development of southeast Alaska that one or the other of these versions of the bill to amend the Jones Act pass.

Senator BARTLETT. Do you have the fear that this might be the forerunner of more considerable effort to do away with the cabotage laws?

Mr. POLLOCK. No, sir; I'm certain any time any particular problem comes up, certainly any facing Alaska, we are going to come and

vigorously defend an amendment to the law and I'm sure you would join me in doing this. I think here we have a unique situation which was not envisioned in the original enactment of the act and I feel that those people who formulated the act many years ago—47 years ago now—if they had been able to envision this kind of a problem, I think they would have written in protective mechanisms to prevent the abuse that the people of southeast Alaska have suffered over these years.

Senator BARTLETT. Thank you.

Mr. POLLOCK. Thank you very much, Mr. Chairman.

Senator BARTLETT. The next witness is the Honorable Ernest Gruening, Senator from the sovereign State of Alaska, author of the bill under consideration.

#### STATEMENT OF HON. ERNEST GRUENING, U.S. SENATOR FROM THE STATE OF ALASKA

Senator GRUENING. Mr. Chairman, thank you for this opportunity to review for this committee the importance to Alaska of enactment of the bill, S. 292, now before you. The purpose of this legislation is to give the people of southeast Alaska the advantage of use of a convenient, inexpensive transportation service which could greatly improve the quality of life in my State.

S. 292 would simply relax restrictions against the use of foreign-built ships now found in section 27 of the Merchant Marine Act of 1920 sufficiently to allow Alaskans to ship cargo via a ferry system operated by the government of British Columbia which connects, at Prince Rupert, British Columbia, with the ferry system built and operated by the State of Alaska.

If Alaskans could transport commodities via this system, motor carriers with cargo originating in the lower United States could travel, via ferry from northwest Washington State points to Vancouver Island, thence via Canadian highway north on Vancouver Island to the departure point of the British Columbia ferry system at Kelsey Bay; then via the British Columbia ferry system to Prince Rupert, which is the point of origin of the Alaska State ferry system.

This route would avoid the long, long overland haul now necessary for cargo transportation via motor carrier to reach the Prince Rupert point of departure for the Alaska ferry system.

For the people of Alaska water transportation of virtually all commodities required for the sustenance of life is, in a very real sense, the lifeline of the State and its people. In Alaska we are almost totally dependent on the transportation by water of everything we need. Far from centers of manufacturing and distribution, Alaskans must look constantly to means of improving transportation to and from the State in order not only to develop our resources, but, also, to maintain such economy as we have been able to develop.

This has been a historic struggle for the Alaskans. Long before statehood patterns of water transportation were developed which have caused damaging and costly reliance by Alaskans almost solely on water carriers operating from the Port of Seattle.

The result has been the existence of a monopoly of the Alaska trade until recently by a single carrier—the Alaska Steamship Co., owned by a Seattle family—which has been able, historically, to charge the rates the traffic would bear.

In recent years some Alaskans have found some relief from ever higher and higher water freight rates caused by lack of competition and an accompanying lack of regulatory control of the water carriers. This has occurred with the introduction of competitive services in the rail belt area and the improvement of policies and standards governing regulation of water carriers by the Federal Maritime Commission.

But, this relief has not come to southeastern Alaska which contains not only the capitol of the State but the third, fourth, and fifth Alaska cities in terms of population and numerous lesser communities. The freight rates to these because of the monopoly situation have been far higher than for longer transportation routes to the westward where competition exists.

A root cause of high costs of water transportation to Alaska remains the restrictive provisions of the Merchant Marine Act of 1920, the Jones Act, so named for Senator Wesley Jones, of the State of Washington.

Senator Jones naturally represented the interests of his Seattle seaport constituents by preventing enactment of legislation that might have allowed Alaskans to take advantage of lower cost foreign carriers rather than being forced to rely on the expensive service offered by powerful Seattle interests.

Although the Merchant Marine Act of 1920 allowed certain exemptions to its prohibition against movement of cargo in interstate commerce via foreign ships when transported via certain Canadian routes, the exception permitting use of foreign carriers carefully and specifically excluded the extension of benefits of this from the territory of Alaska.

Despite repeated appeals of territorial legislatures to remove the two words in section 27 of the Jones Act which excluded Alaska from its benefits, it was not until enactment of the Statehood Act in 1958 that Alaskans were finally able to accomplish this.

However, in the long years between enactment of the Jones Act of 1920 and the coming of statehood, the Alaska Steamship Co. of Seattle was able to entrench itself firmly as the only water carrier operating to Alaska, and, thus, a threat which remains to the progress of the State, and particularly to the important southeastern area, known as the Panhandle.

The removal of the exclusion from section 27 of the Jones Act which was accomplished with statehood has, thus, not yet resulted in the beneficial effects we hoped to accomplish. Shipping patterns both for carriers and merchants were too well established to introduce foreign shipping into the Alaska trade immediately.

Something else is now needed and is entirely feasible.

Under the leadership of Gov. William A. Egan, the State of Alaska inaugurated, in 1963, a brilliant new marine service for southeastern Alaska. The State, without a penny of Federal help, built a marine highway of ferries constructed to carry automobiles, trucks, and passengers from Prince Rupert, British Columbia, to the Alaskan ports of Ketchikan, Wrangell, Petersburg, Sitka, Juneau, Haines, and Skagway.

This has been an enormously successful service and one that deserves the praise and respect of all its beneficiaries.

Now we can make it possible to use our ingenious marine highway to serve even more fully the needs and desires of Alaskans for improved freight service.

Last spring the British Columbia government inaugurated a new ferry service that operates between Vancouver Island and Prince Rupert. Use of this could make it possible for Alaskans to reduce greatly the costs of shipment of commodities from the other States to Alaska by using the combined ferry services of British Columbia and Alaska, via connecting Canadian highways, instead of high-cost steamship service from Seattle.

Only one thing is needed. That is an amendment to section 27 of the Jones Act that would make it possible to use the connecting Canadian ferries. This is an improvement which is greatly desired by the people of Alaska, particularly in southeastern Alaska. It is an objective, the achievement of which I share with my distinguished colleague from Alaska, that this be secured at this session of Congress.

Recently, the Federal Maritime Commission released a report on the Alaska maritime trade which promises to make a significant and entirely beneficial contribution to solution of the critical problems of water transportation long burdening the State of Alaska.

The Commission's comprehensive study of water carrier operations in the Alaska trade is a gold mine of information about the carriers involved, service provided to individual communities, rates charged by the carriers, and the effects of this on the economy of the State.

Further, the Maritime Commission report contains valuable recommendations and suggestions as to what the Commission, the State of Alaska, and other agencies of Government can do to improve transportation services and lower costs of freight shipments.

The report also reviews the many changes in transportation patterns to Alaska which have occurred over the last few years and indicates how these may give direction to changes to come in the future.

The Federal Maritime Commission found, it is explained, that the Alaska trade must be described largely in terms of four geographical regions of Alaska, having differing conditions and needs.

Southeast, south-central, southwestern, and northwestern ports and communities of Alaska have, each, unique conditions to be considered and somewhat different plans for improvement are indicated.

South-central Alaska, encompassing the ports of Seward, Whittier, and Anchorage serving the largest part of our population, enjoys comparatively lower freight rates and unquestionably more efficient service than does the rest of the State.

The reason is apparent. This is the only area of Alaska where the monopoly control of Alaska Steamship Co. has been broken. Shippers have a choice of carrier services and the competition between carriers which has ensued has had the predictable effect of lowering freight rates.

Since the inception of the 1960 rate increase for Alaska Steamship Co., service has been introduced into the railbelt of Alaska by Puget Sound-Alaska Van Line, a barge service operated by the Canadian National Railroad, Alaska Trainship—subsidiary of Alaska Steamship Co.—and, giving year-round service to the port of Anchorage, Sea Land, Inc.

In southeast, southwest, and northwest Alaska, the picture remains discouraging and it is here action must be directed toward improvement.

In general, these areas share a common problem in that virtually the only carrier in the trade is Alaska Steamship Co. Using slow, out-moded, liberty ships and C1-M-AV1 left over from the Second World War, Alaska Steamship Co.'s service is inefficient and expensive.

No alternative service now exists. Unless this pattern changes, the communities of Alaska dependent on Alaska steam service can look forward to nothing but higher costs of service used to justify higher freight rates.

How high are the rates and what is the effect on the economy?

In the rail belt, where transportation is comparatively efficient, modern, and competitive, water freight rates are found to have relatively small impact on the cost of living.

In southeast Alaska, however, where Alaska Steamship Co. services alone, transportation costs, including terminal charges, are excessive and have a corresponding effect on the cost of living. As an illustration, the Federal Maritime Commission report says:

If merchants in Juneau order food products from Seattle, transportation costs on apples, lettuce, flour and potatoes would raise f.o.b. prices 29, 41, 29, and 22 percent respectively. Transportation charges on lumber and cement would raise prices on these items 71 and 100 percent respectively.

The Federal Maritime Commission report examines in detail the freight charges on individual commodities transported to the port communities of Alaska, describes changes in rate levels occurring over the last several years and compares rates on identical commodities to different ports.

Again and again, the striking difference is demonstrated between Alaska Steamship rates to ports where it is the monopoly carrier—southeast and western Alaska—and rates to the railbelt where the company finds itself in competition with other carriers.

As the report points out:

For instance, the carload rates to Anchorage (of Alaska Steamship Company) which cover the water and rail haul and motor delivery on bakery goods, building materials, fresh fruits and vegetables, household goods, radios, liquor, boxes, cigarettes, empty cans and other commodities are lower than Alaska Steam's rates to Ketchikan on bakery goods, building materials, radios, liquor, empty cans and other items are higher than its rates to Anchorage on similar quantity shipments.

As for the rate changes since January 9, 1960—prior to the January 10, 1960, rate increase—the study focuses on 63 specific commodities transported to Juneau and Ketchikan on January 9, 1960, January 10, 1960, and May 1, 1965.

At Juneau, of the 63 commodities 26 increased from 1 to 10 percent in the 5-year period; six rates increased 10 to 25 percent; 15 rates increased from 25 to 395 percent, and 16 rates decreased from 1 to 52 percent.

For example, the transportation cost of fresh fruit and vegetables increased 31 percent, musical instruments increased 394 percent, fresh grapefruit 56 percent, radios 224 percent, gasoline 27 percent, mining machinery 23 percent, roofing 15 percent, and trucks 11 percent.

Among products showing decreased cost were coffins—19 percent less—and alcoholic beverages—22 percent. The sociological implication of these decreases may be cause for speculation.

At Ketchikan, the story is much the same. Eighteen commodities showed increases of more than the general 10 percent rate increase of

1960; 16 commodities showed increases of more than 25 percent; while 22 were below the level of January 9, 1960.

The report points out the increases at Juneau and Ketchikan reflect not only the 10 percent increases of 1960, but, also, the company's change in tariff quotation from weight or measurement to a weight basis on July 1, 1963.

That the ever-rising costs of transportation inflate the Alaska economy is entirely clear. In presenting the facts on this, the Federal Maritime Commission study has examined the impact of high transportation cost on retail prices and the old Alaska legend that "It is not the freight rate, but merchants who mark up the prices that cause such high retail prices."

The Commission finds some truth in the long suspected markup allegation; however, no cause for doubt exists that the basic increase above retail costs in other parts of the United States is the ocean freight charge to Alaskans.

Aside from regulatory policies affecting freight rates, the Federal Maritime Commission study illuminates specific physical causes for high costs of transportation, resulting in higher rates, which can be and obviously should be changed. Among these are:

First, the antiquated, slow—10-knot maximum—Liberty ships and C1-M-AV1 of Alaska Steamship Co. at Ketchikan and Juneau, operated by the Alaska Steamship Co. are unduly expensive to operate. Outmoded cargo-handling equipment coupled with rising labor costs increase the expense of time at sea, time in port, and stevedoring.

Second, in southeast Alaska the physical condition of dock facilities—owned by Alaska Steamship Co. at Ketchikan and Juneau, operated by the Alaska Steamship agent Sitka and Petersburg—make them inadequate to handle increased capacity and preclude application of modern cargo handling methods. Thus, these communities are denied reductions in handling costs that could result from more efficient equipment.

Disparities between handling costs at southeast Alaska ports and those charged by Alaska Steamship Co. at Seattle are enormous and, on the face of it, inexplicable. At Ketchikan and Juneau wharfage and handling costs exceed those of Seattle by 185 percent. These costs are about the same at Sitka. At Petersburg the disparity between Seattle for costs of handling is in the magnitude of 251 percent.

Certainly the advice of the Commission staff to the Commission that these disparities be investigated is long overdue.

Meanwhile, the possibility of achieving less costly transportation to southeast Alaska via combined use of the British Columbia and the Alaska State ferry system must be realized.

That the charges would be less for transportation via the combined ferry systems than from Seattle to Juneau, for example, via Alaska Steamship Co. is demonstrated by an analysis of rates charged on both methods of movement.

By analyzing the charges established for movement of vans via the British Columbia ferry system to Prince Rupert and from there to Juneau via the Alaska State ferry system we find that the cost of transportation of a 40,000 pound shipment would be \$2.55 per hundredweight. The comparable figure for transportation via Alaska Steamship Co. would be \$4.85 per hundredweight.

For a shipment of the same quantity moving entirely by motor carrier via the Alaska Highway to Prince Rupert and from there by way of the Alaska ferry system, the cost would be \$4.35 per hundred-weight.

Obviously, the lowest cost, if the mode of transportation were permitted, would be the \$2.55-per-hundredweight rate resulting from shipment via ferry from the originating point of the British Columbia ferry system to Juneau thence by way of the Alaska ferry system.

Recommendations of the Federal Maritime Commission study of remedies for basic problems of the Alaska maritime trade to southeast Alaska include suggestions as to advisable regulatory policies as well as changes in transportation patterns which could bring about lower rates. Major recommendations include the following:

New systems of redistribution of cargo in southeast, southwest, and northwest Alaska should be developed. This envisions establishment of trade centers in each area from which cargo would be transferred by small carriers to remote communities where operation of large self-propelled vessels is uneconomic. This would envision the use of faster ships providing service adapted to port facilities and specific needs of small but expanding communities.

Also, the Commission study recommends examination of American cabotage laws with a view to determining whether a more liberal policy on the use of inexpensive foreign-built ships might provide a means of lowering Alaska transportation costs.

The bill now before the committee is a very useful step in the direction of carrying out both of these recommendations. Use of the British Columbia ferries could provide flexibility of service, a choice of carrier systems and promote the development of redistribution centers for transshipment of cargo as recommended by the Federal Maritime Commission.

It is my hope the committee and the Congress will act swiftly and favorably on this legislation.

Senator BARTLETT. Thank you, Senator Gruening.

Your bill does not purport to limit the use of Canadian ferries to Government-owned ferries. At the present time, according to your statement, the only available ferry connecting with Prince Rupert is owned by the Government of British Columbia?

Senator GRUENING. That is correct.

Senator BARTLETT. But should private Canadian ferry systems be inaugurated at some later date, your bill would not bar their use?

Senator GRUENING. Well, I have no particular pride of authorship in the language. I think that the objectives are clear and certainly the committee can, if it wishes, modify the language in such a way as to achieve the objective or even a more liberal objective, if that is desirable. I think that what the author and the cosponsor, the distinguished chairman of this bill, have in mind is the special and unique geographical position of Alaska and the very special circumstances which have existed there, the matter of noncontiguity and all of the other factors.

I would venture that it is of sufficient importance, not merely to the people of Alaska, but to the Nation as a whole that Alaska be allowed to develop as rapidly as possible and consistent with overall national policy. I would say that loosening the bonds which have tied Alaska all these years is consistent with the national interest.

Senator BARTLETT. It is my intention, upon return to my office, to take a pair of scissors and cut out the last paragraph of your statement on page 2, which reads in these words:

Under the leadership of Governor William A. Egan, the State of Alaska inaugurated, in 1963, a brilliant new marine service for southeastern Alaska. The State, without a penny of Federal help, built a marine highway of ferries constructed to carry automobiles, trucks, and passengers from Prince Rupert \* \* \*.

I shall put that mimeographed paragraph in my wallet and when people inform me, as they often do, that Alaska always depends upon Federal help, I shall pull this out of my wallet and show it to them.

Senator GRUENING. I certainly applaud the chairman's idea of including this in his wallet and which may often, I hope, be extracted on proper occasions to point out that the robust pioneers of Alaska do not always depend on Federal assistance and that they often do many things for themselves although they have suffered through the 92 years of prestatehood, many discriminations and exclusions, one of which we are now trying to correct.

Senator BARTLETT. All this is not to say that we do not welcome Federal help.

Senator GRUENING. No, indeed; it certainly does not.

Senator BARTLETT. Senator Gruening, you pointed out something that is very interesting. You cited the fact that freight charges on coffins have been reduced by 19 percent and on alcoholic beverages by 22 percent. To your knowledge, are there any stockholders in Alaska Steamship Co. who are undertakers or, as a more fancy term, morticians?

Senator GRUENING. Well, I don't know. I think there seems to be a sort of, shall we say, a Freudian connection between the lowering of the costs of transportation of alcoholic beverages and coffins. There may be some psychological connection between the two, but I would not allege that.

Senator BARTLETT. This is speculative?

Senator GRUENING. Yes.

Senator BARTLETT. Now, have you had an opportunity to examine the tentative redraft of S. 292, which was described in general terms to Congressman Pollock?

Senator GRUENING. Yes, as I stated earlier, I have no pride in authorship. We are trying to achieve the use of the ferry system which has been inaugurated by the British Columbia government, but certainly there would be no objection to any broadening of the language. In fact, I hope the time may come when all restrictions that inhibit the development of Alaska through limitations on existing maritime practices may be removed. I would, certainly, naturally defer to the good judgment of the chairman and of the subcommittee and the whole committee as to what changes should be made. I think we are all clear as to what the objective is and so I would answer to the chairman that I would be very happy to leave any changes or modifications entirely in his hands.

Senator BARTLETT. We welcome Senator Griffin to the committee.

Senator GRIFFIN. Thank you, Mr. Chairman.

Senator BARTLETT. There is a possibility, however slight, that some opposition will be made known on this bill and the thought has been expressed that we could put in language which would clearly limit its application to southeastern Alaska, and that would take care of the

situation which you describe thoroughly and make it clear that the use of foreign-built vessels in the Alaska trade or elsewhere by means of an interpretation which might be made of the existing language would not be possible. Therefore, the prospects for passage might be enhanced and, as I understand you to say, you are not opposed to any change in language so long as the objective sought is attained.

Senator GRUENING. I would not, bearing in mind the chairman's caution that there might be more opposition to a broader draft. I would still hope that the broader draft would be considered. Maybe we should attempt to achieve our objectives piecemeal, but really, the purpose of this legislation and our whole purpose through the years has been to overcome the built-in handicaps which were imposed on Alaska during our stepchildhood days and which are not only contrary to the Alaskan interests, but to the national interests as well.

I would say that any change in the cabotage laws, et cetera, however they might seem to affect other areas, are less important from the standpoint of the national interest in developing Alaska. I think we are all fully aware of the national interests. We in the Senate represent that as well as that of our own constituency, but I think it can be argued reasonably and demonstrably that the development of Alaska is in the national interest.

Here is not merely a State, it is a vast region of underdeveloped resources which are needed by the Nation, which will be needed increasingly in the future, and anything which helps development makes Alaska more viable, develops its resources and its growth, is in the national interest.

So I would plead for the broader language, provided, in the judgment of the subcommittee, this would not jeopardize enactment.

Senator BARTLETT. Senator, somewhat of a problem presents itself in providing an accurate description of what is southeastern Alaska without going into a long, detailed explanation. And if this bill is reported, the suggestion has been made that this might be achieved by describing southeastern Alaska as constituting the first five election districts in Alaska, which, according to my understanding, broadly covers and perhaps precisely covers the area we call the Panhandle.

Senator GRUENING. Well, I think that it would not be difficult to define the limits of southeastern Alaska. It would be certainly the Panhandle and would include both sides of Lynn Canal and probably include Yakutat, although that is on the other side and, in a sense, is in western Alaska, but I believe that the more generous definition would be the desirable one.

Senator BARTLETT. Thank you very much. I have no further questions.

Senator GRUENING. Thank you very much.

Senator GRIFFIN. Mr. Chairman, I just want to welcome our distinguished colleague before this subcommittee and to assure him that although I wasn't here to hear his full statement, I am familiar enough with the contents of his statement and the purpose of the legislation to assure him of my wholehearted support in achieving the objective which he seeks.

Senator GRUENING. We certainly appreciate that from a Senator from Michigan.

Senator GRIFFIN. I well recall Senator Gruening spent a lot of his time taking an interest in some of the problems that we have in our

State of Michigan and I want to assure him that I realize that whatever limits or restrictions there are that impair the growth and development of Alaska should be a matter of concern to the whole country and not just to the people of Alaska.

Senator GRUENING. We thank the distinguished Senator from Michigan.

Senator BARTLETT. We will be in recess for a couple of minutes.

(A brief recess was taken.)

Senator BARTLETT. The committee will be in order.

The next witness will be Hon. Dickerson Regan, assistant attorney general from the State of Alaska. Mr. Regan.

**STATEMENT OF HON. DICKERSON REGAN, ASSISTANT ATTORNEY GENERAL FROM THE STATE OF ALASKA, REPRESENTING HON. WALTER J. HICKEL, GOVERNOR OF ALASKA**

Mr. REGAN. Mr. Chairman, my name is Dickerson Regan. I'm assistant attorney general for the State of Alaska and I appear in behalf of Governor Hickel, who asked me to express his regret to the subcommittee at not being able personally to appear before you. He appreciated the invitation that he received to do so.

I will present his statement either for the record or read it into the record as the chairman may choose.

Senator BARTLETT. It is short; read it, please.

Mr. REGAN. His statement is this:

Following is my statement as Governor of Alaska in support of S. 292. I regret that I am unable to testify in person on this important bill.

To most Alaskans, Section 27 of the Merchant Marine Act of 1920 is the "Jones Act." Risking inaccurate terminology I will refer to it here by this familiar term.

The principal effect of S. 292 will be to permit highway vehicles to use the interconnecting British Columbia and Alaska coastal ferries without unreasonable restrictions based upon what the vehicles may be carrying.

These ferries are an integral part of the highway transportation system of the Pacific Northwest. Growth of a natural transportation pattern is inhibited by an artificial restriction in Section 27 of the Jones Act. Under it, while other highway vehicles can use the ferries to link their highway travel, the Jones Act decrees that a vehicle cannot if it is carrying "merchandise" on part of its transportation between two points in the United States. S. 292 would correct this giving the same exemption to merchandise carried on Canadian highways as heretofore has applied to merchandise carried on Canadian rail lines, as would also the substitute bill.

By its terms S. 292 would be in effect only when comparable Canadian restrictions were released which now bar the transportation on Alaska ferries of goods between Canadian points. We believe that Canada can and will grant such reciprocity by an Order in Council. Therefore, by S. 292 and the proposed substitute bill, the entire marine highway would be opened for generally unrestricted use by highway vehicles to supplement, complement and balance out the transportation facilities of the area.

This continuous marine highway connects the road system of the Northwest states, British Columbia and Alaska through inside territorial waters of Canada and the United States.

Alaska and other Northwest states are working closely with Western Canada toward realization of the immense potential of the Pacific Northwest. Cooperation for the natural development of transportation with Western Canada whose protected coastline separates us from our sister states is the most important single factor that can speed this realization.

Because it is the only state separated from its sister states by a foreign coast, the Jones Act restrictions on the coastwise trade have always been unnatural and repugnant when applied to Alaska. Nowhere is this misfit more apparent than in the "Inside Passage" where the ferries of Alaska and its neighbor ply their respective protected inside waters joining by the use of shared terminal facilities at Prince Rupert, B.C.

The enforcement problems, the seizures and threatened seizures under the Act, have been where the trucker has made the natural assumption that the continuous ferry system is open to his use. Having arrived at Prince Rupert after using the B.C. ferry for part of his journey he is dismayed to find he cannot continue with his merchandise but must turn back the way he has come.

The Northwest needs flexibility in its transportation system. Seasonally when road conditions are poor or when roads are impassable because of washouts or other temporary problems, a trucker whose usual route to Alaska is by road as far as Prince Rupert should not be prevented from using an alternate route by B.C. ferry. Under S. 292 and the proposed substitute bill, he will have this option.

Perhaps the need for flexibility was even more apparent when Alaska Steamship Company, the major shipper serving Southeast Alaska, recently threatened to discontinue its service. Given such an emergency expanded trucking by use of all roads and ferries could be an absolute necessity. This flexibility is denied us by the Jones Act but would be restored by S. 292 or the proposed substitute bill.

At this point in his prepared statement, the Governor, while he expresses support for S. 292, goes on to point out that a substitute bill could be considered, which might improve the text of the original bill. And the text that I have seen of the committee's proposed substitute accomplishes the objectives that the Governor seeks by his comments in his prepared statement. Therefore, I don't think I need read those at this point.

Whatever the ultimate form of the bill, its purposes are of vital importance to the people of Alaska and I urge the favorable consideration of the measure by the subcommittee.

Respectfully submitted.

WALTER J. HICKEL,  
*Governor of Alaska.*

Mr. Chairman, I would also like to offer for the consideration of the subcommittee, resolutions of the Alaska Legislature in its 1966 session, House Resolution No. 17, and Senate Resolution No. 21 and a joint resolution, House Joint Resolution No. 22 of the 1967 legislative session. These are expressions of unanimous support of the Alaska Legislature for the purposes of the bill that is now before the subcommittee.

Senator BARTLETT. The resolutions will be placed in the record at this point.

(The resolutions follow:)

ALASKA STATE LEGISLATURE, 1967

Joint resolution relating to shipping restrictions affecting the Alaska and British Columbia ferries

Be it resolved by the legislature of the State of Alaska:

Whereas the ocean ferries of Alaska and British Columbia serve as extensions of highways and should be open to the same usage as the highways they connect; and

Whereas United States truckers are effectively prevented by sec. 27 of the Jones Act, 46 USC sec. 883, from carrying United States merchandise destined for Alaska on Canadian ferries and Canadian truckers are prevented by sec. 671 of the Canada Shipping Act from carrying Canadian merchandise destined for British Columbia or Yukon points on United States ferries; and

Whereas transportation of merchandise via the Alaska and British Columbia ferries provides an important and expedient route for shipment of goods to the State of Alaska from its sister states and for shipments of Canadian merchandise to British Columbia or Yukon points; and

Whereas the State of Alaska is the only state in the Union having a foreign nation separating it from the rest of the Nation; and

Whereas application of the prohibitions of the Jones Act and the Canada Shipping Act to the State of Alaska in its unique circumstances poses an inequitable obstacle to the economic development of the state; and

Whereas legislation has been introduced into the Senate of the United States to remove obstacles to the use of Canadian carriers for shipments to the State of Alaska;

Be it resolved, that the Congress of the United States is respectfully urged to enact Senate Bill 292 amending sec. 27 of the Jones Act and the Canadian

Parliament is respectfully urged to amend sec. 671 of the Canada Shipping Act, respectively, in order to remove restrictions on the movement of merchandise in highway vehicles on Alaska and British Columbia ferries.

Copies of this resolution shall be sent to the Honorable Lyndon B. Johnson, President of the United States; the Honorable Lester Pearson, Prime Minister of Canada; the Honorable W. A. C. Bennett, Premier of British Columbia; the Honorable Carl Hayden, President Pro Tempore of the Senate; the Honorable John W. McCormack, Speaker of the House of Representatives; and to the Honorable E. L. Bartlett and the Honorable Ernest Gruening, United States Senators, and the Honorable Howard W. Pollock, United States Representative, members of the Alaska delegation in Congress.

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IN THE HOUSE—BY THE COMMERCE COMMITTEE

HOUSE RESOLUTION NO. 17

IN THE LEGISLATURE OF THE STATE OF ALASKA, FOURTH LEGISLATURE, SECOND SESSION

Relating to shipping restrictions affecting the Alaska and British Columbia ferries  
*Be it resolved by the House of Representatives:*

Whereas the ocean ferries of Alaska and British Columbia serve as extensions of highways and should be open to the same usage as the highways they connect; and

Whereas United States truckers are effectively prevented by sec. 27 of the Jones Act, 46 USC sec. 883, from carrying United States merchandise destined for Alaska on Canadian ferries and Canadian truckers are prevented by sec. 671 of the Canada Shipping Act from carrying Canadian merchandise destined for British Columbia or Yukon points on United States ferries;

Be it resolved, that the Congress of the United States and the Canadian Parliament are urged to amend sec. 27 of the Jones Act and sec. 671 of the Canada Shipping Act, respectively, to remove restrictions on the movement of merchandise in highway vehicles on Alaska and British Columbia ferries.

Copies of this resolution shall be sent to the Honorable Lyndon B. Johnson, President of the United States; the Honorable Lester Pearson, Prime Minister of Canada; the Honorable W. A. C. Bennett, Premier of British Columbia, the Honorable Carl Hayden, President Pro Tempore of the Senate; the Honorable John W. McCormack, Speaker of the House; and to the Honorable E. L. Bartlett and the Honorable Ernest Gruening, United States Senators, and the Honorable Ralph J. Rivers, United States Representative, members of the Alaska delegation in Congress.

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IN THE SENATE BY THE COMMERCE COMMITTEE

SENATE RESOLUTION NO. 21

IN THE LEGISLATURE OF THE STATE OF ALASKA, FOURTH LEGISLATURE, SECOND SESSION

Relating to shipping restrictions affecting the Alaska and British Columbia ferries

*Be it resolved by the Senate:*

Whereas the ocean ferries of Alaska and British Columbia serve as extensions of highways and should be open to the same usage as the highways they connect; and

Whereas United States truckers are effectively prevented by sec. 27 of the Jones Act, 46 USC sec. 883, from carrying United States merchandise destined for Alaska on Canadian ferries and Canadian truckers are prevented by sec. 671 of the Canada Shipping Act from carrying Canadian merchandise destined for British Columbia or Yukon points on United States ferries;

Be its resolved, that the Congress of the United States and the Canadian Parliament are urged to amend sec. 27 of the Jones Act and sec. 671 of the Canada Shipping Act, respectively, to remove restrictions on the movement of merchandise in highway vehicles on Alaska and British Columbia ferries.

Copies of this resolution shall be sent to the Honorable Lyndon B. Johnson, President of the United States; the Honorable Lester Pearson, Prime Minister of

Canada; the Honorable W. A. C. Bennett, Premier of British Columbia; the Honorable Carl Hayden, President Pro Tempore of the Senate; the Honorable John W. McCormack, Speaker of the House; and to the Honorable E. L. Bartlett and the Honorable Ernest Gruening, United States Senators, and the Honorable Ralph J. Rivers, United States Representative, members of the Alaska delegation in Congress.

Senator BARTLETT. Now, Mr. Regan, do you have a statement to make of your own?

Mr. REGAN. I do not, Mr. Chairman. I am here in behalf of the Governor to express his opinion on this bill.

Senator BARTLETT. You might, for the edification of those of the committee and elsewhere, who are not acquainted with the geographic situation, explain what you mean in the Governor's statement when you say, ". . . inside territorial waters"?

Mr. REGAN. The entire coast from Seattle north, with a minor exception, is protected water and is the famous inside passage route. The area is characterized by islands and the passage that the ferries of Canada and Alaska take is among these islands connecting the various communities and the road systems along this route. When I say "territorial waters," I mean that these are in one case, Canadian waters, not international waters and, in the other case, Alaskan waters.

Senator BARTLETT. At the present time, a person may load goods on to a truck at Ogden, Utah, drive to Prince Rupert and place his truck on the Alaska State ferry and be legal in doing so?

Mr. REGAN. At such time as his goods were offloaded at any American port, he would be in violation of section 27 of the Jones Act. So that in effect, the minute he places the goods on board the ferry, the Alaska ferry, he is in violation.

Senator BARTLETT. This bill would give no relief to that person? He would have to use the Canadian ferry system in conjunction with the Alaska ferry system to come within the law?

Mr. REGAN. If I understood your example, Senator, a man who trucks goods from Ogden, Utah, through to an Alaskan port by way of Canadian ferries, he would under existing law, be in violation. Under the proposed bill, he would have relief; he would no longer be in violation.

Senator BARTLETT. But let's have him driving to Prince Rupert instead?

Mr. REGAN. If he drives to Prince Rupert and takes no Canadian water carrier?

Senator BARTLETT. Right.

Mr. REGAN. He then is not in violation under existing law.

Senator BARTLETT. He can use the Alaska ferry then without any legal problem?

Mr. REGAN. That is correct.

Senator BARTLETT. Is that being done very frequently now?

Mr. REGAN. I don't know how much traffic there is from Ogden, Utah, Senator, but there is considerable trucking over the highway to Prince Rupert and carried on the Alaska ferries. It is impossible to tell what the increase in use would be if this bill is passed. However, there are about 700 commercial units getting on the Alaska ferries at Prince Rupert per year at the present time and going on into Alaska.

Senator BARTLETT. Of course, anything you might say in regard to the question I'm now going to be asking you would be purely by way

of estimate. Do you think any considerable portion of the present traffic would be diverted to the Canadian ferry system?

Mr. REGAN. I think a significant traffic will be developed if this bill is passed.

Senator BARTLETT. There have been two instances in the last several months in which Alaskans have been involved, one in connection with trailers shipped to a resident of Sitka and the other involving a Puget Sound plywood truck carrying equipment to Wrangell. My understanding is that in respect to the Sitka situation, the Bureau of Customs has withheld any action pending possible legislative action on S. 292 or the corresponding House bill or some modification of either.

With reference to the Wrangell situation, all penalties have been remitted and constructive seizure limited. Is this your understanding?

Mr. REGAN. That is my understanding, Senator. With respect to the trailers that were transported to Sitka, they are presently under constructive seizure and a decision of the Commissioner of Customs is pending.

Senator BARTLETT. They were in violation of existing law?

Mr. REGAN. Yes.

Senator BARTLETT. Is it true that under the proposed legislation, private carriers as well as common carriers would receive what benefits it has to offer?

Mr. REGAN. That is true under the committee's proposed language; yes.

Senator BARTLETT. Let me read into the record, although I believe you have had opportunity to see it before, a proposed redraft of S. 292:

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Section 27 of the Merchant Marine Act, 1920, as amended (46 U.S.C. 883), is amended by adding thereto the following:*

*Provided further, That this section shall not apply to merchandise transported between points within the continental United States, including Alaska, over routes which are in part over Canadian highways and connecting Canadian passenger and motor vehicle ferry systems providing service between points in British Columbia and in part by vessels built in the United States operating as part of the Alaska ferry system and serving points in southeastern Alaska, except that this proviso shall be effective only during such time or times as the Secretary of Transportation determines that the Government of Canada grants similar privileges with respect to the use of United States vessels in the transportation of merchandise between points in Canada.*

Mr. Regan, do you care to comment on that language?

Mr. REGAN. Mr. Chairman, only to the extent of saying that I believe the proposed redrafted bill takes care of the objections that Governor Hickel raised in the final part of his prepared statement. When I say objections, the Governor was not opposed to the bill as it was introduced, but he thought that it could be improved. I think that has been done by your proposed redraft.

Senator BARTLETT. Senator Griffin.

Senator GRIFFIN. If you don't mind reeducating me, what is the objection that you are referring to?

Mr. REGAN. The problem with the original draft was that it did not cover an occasional shipper effectively because the exception only applied to a trucker who had established a through route with the Interstate Commerce Commission and had filed tariffs with the Interstate Commerce Commission for that route.

Part of the problem under the existing law has been with the trucker who has no knowledge of any restrictions on his use of the Canadian ferries. This redraft would take care of that person's problem that the original bill would not.

Senator GRIFFIN. I'm trying in a horseback fashion here to compare the redraft with the original bill. I'm not sure just what language in the redraft accomplishes the objective you seek.

Mr. REGAN. Senator, the original bill was an amendment of the third proviso of the existing section. The proposed amended language is a new proviso at the end of the existing section 27 and it is the existing language in the third proviso of section 27 which causes this problem.

Senator GRIFFIN. Thank you. My problems, I think are questions that I can clear up with committee counsel, as they are more or less technical questions.

Senator BARTLETT. If I may, Senator, let's ask Mr. Barer to make those explanations right now so there won't be any doubt in your mind as to what the redraft proposes to do.

Mr. BARER. As has been just pointed out, the redraft proposes a new section or proviso to section 27, whereas the original bill would amend the third proviso and incorporate this change in existing language rather than adding a new proviso to the Jones Act.

The specific changes in the redraft accomplish the following purpose:

It limits the use of foreign vessels explicitly to British Columbia ferries and the original bill just said "connecting water facilities." The problem was raised that this might lead to the use of foreign built vessels that were under a flag other than the Canadian flag or the use of vessels other than the Canadian ferries.

The original bill as well did not provide that Alaska ferries had to be used to pick up the merchandise after completion of the Canadian ferry service and the redraft would limit the use of U.S. vessels that could participate in this route excepted from the Jones Act to Alaska ferries.

The redraft as well removes the language having to do with ICC filings of through rates and tariffs. The reason for this is that the language was originally included in the bill because that is the way the third proviso read having to do with railroads. The ICC has informed us that their jurisdiction over these routes would not be affected one way or the other by deletion of this language. Their jurisdiction exists independently and under the redraft, one who was already required to file with the ICC would continue to be so required, while any private carrier that was not required to file with the ICC could continue in that manner and have the benefit of this new exception.

Those basically are the changes in the redraft. Also the redraft states that this merchandise is excepted only if it is going to south-eastern Alaska, which would be defined as election districts 1 through 5 as defined in the Alaska State constitution. The original bill just said Alaska. Apparently it is southeast Alaska where the real problem exists.

Senator GRIFFIN. I think counsel for making those points and I appreciate the contribution that you and the Governor of Alaska have made to these hearings.

Mr. REGAN. Thank you, Senator.

Senator BARTLETT. Thank you, Mr. Regan.

Mr. REGAN. I appreciate very much the opportunity to have appeared for Governor Hickel and thank the committee in his behalf and my own.

Senator BARTLETT. We are glad you were here.

Senator BARTLETT. The last witness scheduled is Mr. J. Scott Morrison of Sea-Land Service, Inc.

For the sake of the record, Mr. Morrison, will you give your position with Sea-Land Service, your address, and tell us by whom you are accompanied.

**STATEMENT OF J. SCOTT MORRISON, VICE PRESIDENT OF TRAFFIC, SEA-LAND SERVICE, INC., ELIZABETH, N.J., ACCOMPANIED BY GERALD A. MALIA, COUNSEL, RAGAN & MASON, WASHINGTON, D.C.**

Mr. MORRISON. Thank you, Mr. Chairman, Senator Gruening, Senator Griffin.

With your permission, Mr. Chairman, I would like to read a prepared statement, and I will add—

Senator BARTLETT. You are accompanied by whom?

Mr. MORRISON. I am accompanied by Mr. Gerald A. Malia of the firm of Ragan & Mason, Washington, D.C.

My name is J. Scott Morrison, business address, Elizabeth, N.J., and I am vice president of traffic, Sea-Land Service, Inc., Elizabeth, N.J. I am accompanied by our counsel, Mr. Gerald A. Malia of the firm of Ragan & Mason, Washington, D.C.

I wish to commend Senator Gruening and Senator Bartlett for their efforts in aiding and improving the transportation system of Alaska. Sea-Land Service, Inc., has made a significant contribution to that effort.

As members of this committee are aware, Sea-Land is the first carrier in the history of the State that has maintained a year-round service to the port of Anchorage. We are proud of this accomplishment.

We would like to submit as part of the record a copy of an excerpt from the Anchorage Daily Times of December 17, 1964, which comments on the breakthrough of winter service to Anchorage.

(The article follows:)

[From the Anchorage Daily Times, Thursday, Dec. 17, 1964]

THEY SAID IT COULDN'T BE DONE, BUT VESSEL MAKES IT THROUGH ICE

By Janet Archibald (Times staff writer)

Some scoffers claimed it couldn't be done—but they did it.

The Anchorage, one of two Sea-Land cargo vessels providing weekly service into the Port of Anchorage, tied up at the municipal terminal at about 2:30 p.m. Wednesday after making her way, unescorted, through ice-clogged Cook Inlet.

And the myth of Anchorage as a summer port was blasted.

"We're making history today," one longshoreman claimed, stamping snow from his boots, as he watched the back-hulled vessel draw near to its berth.

And they were.

According to port officials, the Anchorage's arrival marks the first time a deep draft vessel has come into the port unaided through heavy winter ice.

Sea-Land and port officials mingled with longshoremen on the dock to watch the Anchorage come in.

A dim shape through falling snow, the vessel approached the dock from the north, moving slowly through the drifting ice.

Her bow was coated with frost to mark her passage through gale winds and drifting ice, termed "the worst in years."

Sea-Land officials had claimed they intended to provide year-round service into the port.

Wednesday they proved their claim.

The Anchorage, due in the port Monday on Sea-Land's weekly schedule, was delayed by high winds in the Gulf of Alaska and slowed by Cook Inlet ice off Nikiski.

Originally, the vessel was to have been escorted into Anchorage by the Coast Guard Cutter Storis. The Coast Guard help was offered when the Icebreaker Milton II ran aground and was frozen in on Saturday.

The Storis put back into Kodiak when a crewman reportedly became ill.

The Anchorage came on alone.

She is specially designed for winter operation. Her engines are powerful and her propeller deep set into the water to ride below ice. She is heavily ballasted in the stern.

The Anchorage Wednesday broke the ice in more than Cook Inlet.

If she and her sister ship, the Seattle, can continue weekly operations under winter conditions, the character of the Port of Anchorage can change.

Up to now, few vessels put into the port after the ice came.

But with Sea-Land keeping the ice in the waterways into Anchorage broken up, other ships will follow.

One such is the Union Oil tanker, the Lompoc. The Lompoc's crew lay over in Kodiak to see how the Anchorage made out. Now, following the Anchorage's lead, they will come into Anchorage when Sea-Land's ship departs.

Port of Anchorage officials said the Sea-Land ship is expected to leave tonight. The Lompoc, they say, will come in immediately after.

#### SEA-LAND STUDIES JOURNEY UP INLET

Sea-Land's first operation into the Port of Anchorage under winter ice conditions was closely eyed by company officials.

Charles Hiltzheimer, general manager of the Alaska division, Sea-Land Service, and Capt. Keith Collar, master of the Seattle, sister ship to the Anchorage, accompanied Capt. Erwin B. Nelson, master of the Anchorage, on Wednesday's trip up the inlet.

Capt. William Johnson, Anchorage's pilot, also was aboard.

Collar and Hiltzheimer were flown up from Seattle to observe the operation.

Hiltzheimer said the Anchorage was already in the ice when he and Collar boarded her Wednesday morning off Kalgin Island.

"There was a lot of ice," Hiltzheimer reported of the trip. He said the ice was not completely solid and that the pans "split up ahead of the ship" as she came on at between 12 and 15 knots. The ice lessened as the Anchorage neared port, he said.

Nelson said the Anchorage's trip through the ice began at 8 a.m. Wednesday. Thickly falling snow, darkness and the difficulty of finding a route through the ice had halted the vessel late Tuesday.

"We got through easily enough," he said.

He said the ice was two to four feet thick in places.

Nelson, a veteran of 45 years at sea, said this is the first time he has come into Anchorage in the winter.

Mr. MORRISON. We also submit our sailing schedule and our booklet entitled "The Facts" which shows our equipment and a system map.<sup>1</sup>

For purposes of this record, it should be noted Sea-Land is an unsubsidized common carrier by water which operates U.S.-flag vessels.

The company operates a service to Puerto Rico, coastwise service on the east coast and to the gulf, intercoastal service, Pacific coastwise service, service to Alaska, service from the east coast to ports in the United Kingdom and continental Europe, and trans-Pacific services to Okinawa, Philippines, and shortly to Southeast Asia.

The company presently operates 25 full containerships plus two break-bulk ships in the gulf and will shortly augment its fleet with seven additional containerships.

<sup>1</sup> The documents referred to are incorporated by reference and will be found in the subcommittee's files.

The company has been serving the rail belt in Alaska since April 1964.

By means of joint water-motor rates, our traffic reaches out into the hinterlands of the State of Alaska. The capital investment involved to maintain the current service to Alaska is in excess of \$25 million.

Sea-Land vigorously opposes the enactment of S. 292. We object to any encroachment, be it of a creeping nature or a frontal assault on the cabotage laws of the United States. And while we vigorously oppose this bill, it is not without sympathy for those whom the bill is really intended to aid; namely, the people of southeast Alaska.

The bill, as it presently stands, would destroy any American-flag service into the State. The bill, as presently written, would open the door for foreign-flag service which would make it impossible for a company such as ours to continue the service presently given. We will comment further to the specific language of the bill later in this statement.

For some time, Sea-Land has been studying the problem of south-east Alaska. As noted above we are sympathetic with the merchants and those who depend upon water transportation in this area, and perhaps to some extent, what has been proposed under this bill has accelerated our own considerations of this problem.

Sea-Land, therefore, would like to state that it is prepared to institute a weekly service to a southeastern Alaska port on the Alaska ferry system route if the State is willing to provide reasonable dock facilities to accommodate the service.

At the present time there are not adequate facilities to service containership vessels. We are prepared to sit down immediately with the Governor or anyone he should so designate to work out suitable arrangements for the installation and the leasing of such facilities.

Such a proposal would give certainty and reliability of service to the area, two factors that will not be achieved by what this bill is intended to accomplish.

We feel this committee, and most particularly its chairman and the sponsor of the proposed legislation, Senator Gruening, should make every effort to assist us in this direction before giving further consideration to the proposed legislation.

We would now like, however, to comment on the inadequacies and the inequities of the proposed legislation even though we believe with our proposal to serve the area such comments are academic.

In any event, this bill goes far beyond the problem involved.

The bill proposes to amend the Jones Act, section 27 of the Merchant Marine Act, 1920, as amended, 46 U.S.C. 883, which provides:

No merchandise shall be transported by water, or by land and water, on penalty of forfeiture thereof, between points in the United States, including Districts, Territories, and possessions thereof embraced within the coastwise laws, either directly or via a foreign port, or for any part of the transportation, in any other vessel than a vessel built in and documented under the laws of the United States and owned by persons who are citizens of the United States \* \* \*.

The "third proviso" to the act is the object of S. 292:

Provided further, That this section shall not apply to merchandise transported between points within the continental United States, including Alaska, over through routes heretofore or hereafter recognized by the Interstate Commerce Commission for which routes rate tariffs have been or shall hereafter be filed with said Commission when such routes are in part over Canadian rail lines and their own or other connecting water facilities \* \* \*.

The bill would enlarge the exception contained in the "third proviso" by adding to the proviso routes of "Canadian highways" to the present routes of "Canadian rail lines."

This proposal would widen the breach through which foreign-flag ships are able to participate in U.S. coastwise traffic between the Pacific Northwest and Alaska. For example, a cargo could be trucked from the Seattle waterfront to a Canadian port, a distance of approximately 150 miles, for through movement by Liberian or other foreign-flag ships from the Canadian port to Alaska, thus circumventing our Nation's cabotage laws. This would not help the people of southeast Alaska and would seriously injure the unsubsidized American carriers.

We therefore, respectfully recommend that if you find any bill necessary, that it be amended to limit its scope to the problem, that is, southeast Alaska.

As the Comptroller General pointed out in his letter of March 20, 1967, the bill should be related to the Canadian ferry system which ends at Prince Rupert, British Columbia. However, even this suggestion goes beyond the problem.

We recommend, further, that if a bill is found necessary, the following language, or language of similar intent, be added to that suggested by the Comptroller General:

Provided that this exception shall be limited to merchandise the ultimate consignee of which is located in southeast Alaska, which for the purpose of this provision is that area of Alaska which is south of 60 degrees North Latitude and east of 140 degrees West Longitude.

Finally, the bill also provides that the proviso shall be effective only during such time or times as the Secretary of Transportation—

Determines that the Government of Canada grants similar privileges with respect to the use of United States vessels in the transportation of merchandise between points in Canada.

We know of no traffic to which this caveat could realistically apply and submit that it is of no practical value. This caveat would not, in fact, mean we would be getting anything of value in return for opening up the domestic trades to foreign-flag operators.

In closing, we wish to go back to the point that Sea-Land is prepared to serve southeast Alaska. For emphasis, we would like to point out what this will mean to the people of southeast Alaska as compared to what this proposal involves. The people of southeast Alaska and, indeed, the people of all Alaska, have experienced in the past the whiplash of carriers skimming the cream and leaving the nonprofitable residue cargo for regular service carriers, all of which can easily result in rate increases. So it may be by the facility that this proposal ultimately contemplates. There will be no certainty of service by over-the-road carriers. There will be no obligations; there will be no investments.

What is needed in southeast Alaska is a certainty of service, a regularity of service, an improvement of service, at a proper rate structure. This is what has resulted from the Sea-Land service in the rainbelt of Alaska. This is what would result from Sea-Land service in southeast Alaska. This cannot result from the proposed legislation here under consideration.

We thank the committee for the opportunity of appearing.

Senator BARTLETT. Thank you, Mr. Morrison. Do you have any questions, Senator Griffin?

Senator GRIFFIN. No, Mr. Chairman.

Senator BARTLETT. We thank you very much for your appearance which among other things, gives news which I understand has already reached Alaska, as to Sea Land's willingness to serve southeastern Alaska ports.

Before we get to all of that, let me ask you, Mr. Morrison, if you are aware of the temporary exemptions made with respect to the so-called Jones Act in 1962 and renewed, as I recall, the following year, each being for 1 year periods whereby ships flying foreign flags were permitted to transport lumber from U.S. ports to the Commonwealth of Puerto Rico?

Are you familiar with that law or those laws?

Mr. MORRISON. Yes, sir, generally.

Senator BARTLETT. The law was approved originally October 24, 1962, and it is Public Law 87-877.

Do you know if Sea-Land took any position with respect to that?

Mr. MORRISON. I am sorry, sir, from my own recollection, I could not state whether they did or not.

Senator BARTLETT. I mention this only or principally to demonstrate that in case of need, there has heretofore been a change made by the Congress in the Merchant Marine Act of 1920 admittedly for a temporary period.

Have you examined the proposed redraft?

Mr. MORRISON. I have heard it read in the hearing room this morning and listened to it attentively. I have not had a thorough opportunity to study it, but I think I am basically familiar with what has been proposed.

I might beg your indulgence to make another quick glance through the printed copy.

Senator BARTLETT. Take your time. The committee will be in recess for a minute or so while you do so.

(A brief recess was taken.)

Senator BARTLETT. Are you prepared?

Mr. MORRISON. Yes, sir, Mr. Chairman.

Senator BARTLETT. I don't want to pin you down on this. You can speak in general terms, if you want to, and submit a statement later.

Mr. MORRISON. Thank you.

Senator BARTLETT. Does it represent an improvement, to your way of thinking, over the original language?

Mr. MORRISON. I would say this, Mr. Chairman, that the revised redrafting goes a long way toward isolating the problem that has been set forward.

I think there are one or two openings remaining, however. One might be a definition of southeast Alaska and the other might be a limitation upon the ultimate destination of the merchandise or traffic to that area that would be defined.

Senator BARTLETT. In reference to your first point, as was said earlier, it is intended in the report, to describe Alaska as being synonymous with the first five election districts and without having examined a map or the election districts, I should estimate that this would be identical with your description or practically so.

With reference to the second point, I think that no carrier need fear that merchandise moving in this manner would be unloaded in

southeast Alaska and then transported to other parts of Alaska. It would be kind of an expensive operation.

Mr. MORRISON. The possibility might still remain. I would like, if possible, with permission of the chairman, to file some written comments perhaps further along after we have had an opportunity to study it in depth. Although, as stated earlier, we certainly are in sympathy with the problem and I think this redraft moves in the direction of treating the problem more specifically than was approached in the original draft.

Senator BARTLETT. I don't know if this is a fact or not, but so far as I am aware, the only carrier now engaged in southeast Alaska, namely, Alaska Steamship Company, does not propose to offer any objection to the bill.

If that should be a misstatement, we shall soon learn about it I am sure.

Now, you said that Sea-Land will shortly augment its fleet by the addition of seven container ships. These are going to be used in your general trade route?

Mr. MORRISON. Yes, sir, they will be used to supplement the services now existing and as you may be aware, we have an extension of service into the Southeast Asian area and part of the existing fleet will move into that service and these new vessels will replace those vessels in existing services.

Senator BARTLETT. These are all built in the United States?

Mr. MORRISON. Yes, sir.

Senator BARTLETT. And the equipment, the investment you gave made in Alaska now amounts to \$25 million?

Mr. MORRISON. The total investment in the operation of this service is in excess of \$25 million, yes, sir.

Senator BARTLETT. You said that the bill in its original form would destroy any American-flag service into the State. Why would that be so?

Mr. MORRISON. Well, in its original form, Mr. Chairman, the draft was completely open, the restriction was completely open in that any connection beyond a highway terminus in Canada could be used as a jumping off point to circumvent U.S.-flag vessels leaving from the U.S. ports, and there would be nothing whatever to prohibit an influx of roll-on, roll-off, lift-on or lift-off or various other types of vessels to move direct from Canadian ports into any other part of Alaska and as the committee, I am sure, is aware, this would be in direct contravention of existing policies of cabotage laws.

This is one of the major concerns that we are most fearful of.

Senator BARTLETT. Your point then in essence was that this might be extended beyond southeastern Alaska?

Mr. MORRISON. Yes, sir, very definitely, in the original draft.

Senator BARTLETT. It might include other than Canadian or Alaskan ferries?

Mr. MORRISON. Yes, sir, it would have in the original draft.

Senator BARTLETT. Might have included foreign flag-vessels of whatever type or whatever size?

Mr. MORRISON. Yes, sir.

Senator BARTLETT. And in your opinion, the entrance into the Alaskan scene of foreign-flag carriers would be ruinous to the American carriers?

Mr. MORRISON. Yes, sir, it would.

Senator BARTLETT. Why?

Mr. MORRISON. I think the history of foreign-flag carriage, perhaps in Alaska and in other areas, has been one of quick earning opportunity without any guarantee of regularity of service, without any contribution to the economy, significant contribution to the economy, and operating at a much lower foreign capital and labor base. And this could place American carriers at a serious competitive disadvantage.

There is no reliability or guarantee of service with such foreign operators. They can come in and out at pleasure, skim the market and then leave.

Senator BARTLETT. You said Sea-Land is now providing service to the east coast of the United States and ports of the United Kingdom and continental Europe. You are in competition there with foreign-flag carriers, right?

Mr. MORRISON. Yes, sir.

Senator BARTLETT. Have you been very actively in competition?

Mr. MORRISON. Yes, sir.

Senator BARTLETT. And yet my understanding is that you are giving some of these foreign operators fits?

Mr. MORRISON. Well, this is in—I don't understand the term "fits." I am sure we have been very competitive in the North Atlantic for the last year or so.

However, there are very long-range implications to this type program and the final analysis with the ability to build new construction at much lower rates and to crew and foreign ports and so forth, our basic advantage to date has been our system ability and established method of service that is rather revolutionary.

We have many long-range problems in trying to overcome or be competitive with foreign operators.

Senator BARTLETT. Let me explain what I meant by the use of the word "fits." What I really meant was that you are causing some of the foreign operators agony and distress to their pocketbooks and that you are highly competitive, even though your building costs are much higher than theirs, and even where your operating costs are much higher than theirs.

You have an efficient method of operation, which enables you to go out in this container-type of service and compete with the foreign carriers.

Mr. MORRISON. That is quite correct. It is primarily a question of efficiency and system application.

Senator BARTLETT. Well, you didn't know what I meant by use of the word "fits" and I don't know what you meant by the use of the term "system applications."

Mr. MORRISON. We like to think of our service as an integrated, intermodal transportation system, that is fully flexible between truck, rail, and water, and this has some inherent economies and efficiencies not present in some container operations and not present in break bulk operations.

Senator BARTLETT. Mr. Barer, committee counsel, has suggested to me that in addition to the report language, which I suggested might be made defining southeastern Alaska at the first five election districts, we might change the language after "United States" and rewrite it in this fashion:

"Including as to Alaska, only the southeastern part thereof."

And if we try to get exact definition of what southeastern Alaska is in the bill itself, then we are going to have a case of the fits. I think we can do this better in the report, but this might be helpful, the language I just read, insofar as your point of view is concerned.

And this would obviate the problems that are in your mind about transshipment.

Mr. MORRISON. Yes, sir; that would make a significant contribution to that problem.

Senator BARTLETT. I must say that Sea-Land surprised the Alaskan World when it was able to provide year-round service to Anchorage.

I daresay that only Sea-Land believed this to be possible in light of the fact that port is ice locked for so many months of the year.

So far as I know, Sea-Land has never missed a voyage on account of inability to go through the ice.

Now, Mr. Morrison, you tell us you are ready to sit down with State officials in furtherance of your plan to give service to southeastern Alaska.

Would this be an entirely new service or would it be a stop or stops on your route to Anchorage?

Mr. MORRISON. As presently envisioned in our very preliminary plans, it would be a stop in the existing service.

Senator BARTLETT. How much longer would they require, if you know?

Mr. MORRISON. We calculate approximately 12 hours of additional transit time, that is all that would be required to stop in southeast Alaska and discharge and continue the voyage.

Senator BARTLETT. And your plan is to stop at one port?

Mr. MORRISON. That is correct. If I might in very general terms touch upon this, the idea would be to stop at one port which would be an important terminal of the Alaskan ferry system, and using the ferry system as a feeder operation to and from that port, expand throughout the southeastern Alaska market with the intermodal movement of containers and the large containers and perhaps to have isolated or small volume ports, large containers would contain smaller containers which would move out and be handled on straight back trucks or other types of local equipment in the area.

This would all be done in conjunction with the existing Alaska ferry system and the existing truckers and/or public operators from that area who would join in joint through rates and arrangements with us.

Senator BARTLETT. Your carriage of merchandise and freight would cease then at the one central port selected?

Mr. MORRISON. The main vessel would stop at the port. Basic responsibility for the carriage and the through intermodal container unit would not cease. It would fan out from that central point to the primary areas.

Senator BARTLETT. By arrangements that you would have made with the State ferries system officials and with truckers?

Mr. MORRISON. Local truckers in the southeastern Alaska territory.

Senator BARTLETT. Now, is the committee to understand that you are ready to inaugurate this service when and if, to quote you "if the State is willing to provide reasonable dock facilities"?

Mr. MORRISON. That is correct.

Senator BARTLETT. Have you any idea what the cost of such facilities might be?

Mr. MORRISON. Well, this is a very difficult question to even give a general answer to.

I will state it as best I can. The only surveys of dock and berthing facilities that we have done have been visual surveys. There have been no in-depth surveys, soundings, and other things taken.

I would say that the cost would very closely approximate the cost of similar type facilities and depending upon the land structure, the condition of the land available, the amount of upland parking area, buildings, and so forth, we would be prepared to sit with the Governor and/or his designate and present plans and so forth with cost estimates of what this has cost in other places.

It would be very difficult to sit here today, Mr. Chairman, and give you a number because it would be highly conjectural.

Senator BARTLETT. We understand. What, in a general way, do you require?

Mr. MORRISON. We require a berth that will have a draft of a minimum of approximately 28 feet, with a well-constructed pier of approximately 455 feet in length, graded with upland marshaling areas and some minimum building facility.

Senator BARTLETT. And inauguration of service is dependent upon the State furnishing these facilities?

Mr. MORRISON. Yes; that is correct, sir. We would be prepared to enter into discussions and negotiations toward some long-term commitments in connection with this in an effort to assist the State in justifying such expenditures.

I might add, Mr. Chairman, that based on our experience, such facilities could be constructed and in operation within a period of 4 to 6 months.

Senator BARTLETT. Would you please repeat that?

Mr. MORRISON. I said based on our experience in other areas, such a facility could be constructed and in operation within a period of 4 to 6 months.

Senator BARTLETT. In your statement you said that foreign-flag ship service from the Canadian ports to Alaska would not help the people of southeast Alaska. By that do you mean it would be an uncertain service?

Mr. MORRISON. A very uncertain and perhaps unreliable service; yes, sir.

Senator BARTLETT. You would propose to give regular service?

Mr. MORRISON. Yes, sir. Our plan and proposal would be to provide a weekly service, 52 weeks of the year.

Senator BARTLETT. You understand under the redraft no Canadian ferry would utilize an Alaskan port?

Mr. MALIA. Mr. Chairman, may I?

Senator BARTLETT. Yes, sir.

Mr. MALIA. No Canadian ferry or no foreign flat other than?

Senator BARTLETT. The Canadian ferry would not come into Alaskan ports. The exception applies only to Canadian ferries serving ports in British Columbia and then the freight has to be placed on Alaskan ferries.

Mr. MORRISON. Correct.

Senator BARTLETT. I have no further questions.

As one member of the committee, I must say I am excited by the proposal that Sea-Land has made here today.

I will contradict myself and ask another question. Senator Gruening in his very detailed helpful statement recited the differences between freight rates to the southeastern Alaska ports and those to ports elsewhere, such as Whittier and Anchorage.

Have your studies up to this point indicated whether or not Sealand might propose some reductions in freight charges?

Mr. MORRISON. Our studies and plans certainly indicate that the service, the improvement of service would be established at a proper rate structure and I think the history of our operation in Alaska might be indicative of what we consider to be a proper rate structure.

Senator BARTLETT. You have no precise information to give the committee as to what the freight rate for coffins would be then?

Mr. MORRISON. Mr. Chairman, I think it would be extremely difficult at this point, since our marketing studies are somewhat inconclusive, although they do indicate sufficient volume of tonnage to support the service, but we certainly would feel that the rate structure would be given very serious consideration and we trust that not only what our line, but the people of southeast Alaska would consider to be a proper rate structure.

Senator BARTLETT. Containers might offer great advantage, coffins and booze might be put together in the same container and that will lower the charges still further.

I have no further questions.

Senator Griffin?

Senator GRIFFIN. Mr. Chairman, as one who is not familiar, of course, with some of these matters, I just wondered if you could inform me as to the significance of providing that only Alaskan ferries would be used. Are there only now Alaskan ferries in operation between these points or are there Canadian ferries in operation as well?

Senator BARTLETT. No; only Alaskan ferries.

Alaskan ferries go down to British Columbia. They go down to Prince Rupert, the northernmost port in British Columbia, and no foreign-flag carriers of any kind serve southeastern Alaska except Japanese ships which put in from Japan to transport lumber from Wrangell to Japan and pulp from Sitka to Japan.

Senator GRIFFIN. But no Canadian system?

Senator BARTLETT. That is correct, except Canadian service from Vancouver to Skagway, the northernmost port in southeastern Alaska.

This ship does not put in at any port between British Columbia and Alaska save Skagway. Those goods are destined for Canadian territory beyond Skagway.

Then in the summer there are some Canadian passenger ships, cruise ships, which ply the Alaskan ports. But there are no regularly scheduled Canadian freighters of any kind.

Senator GRIFFIN. Thank you.

Senator BARTLETT. There will be placed in the record at this point the following: Statement from John H. Lee, president, Puget Sound Tug & Barge Co., in opposition to S. 292; a telegram received by me from Donald E. King, borough chairman of the Ketchikan District, supporting S. 292; a letter from Mayor Hanousek of Skagway supporting the bill; a letter from Mr. Steers, chairman of the Transportation Committee, Ketchikan Chamber of Commerce, endorsing the bill; a wire from the vice president of Ketchikan Spruce Mills, E. W. Borgen, endorsing the bill; a letter from Ben Engdal, president of

Harbor Seafoods Co., Inc., Wrangell, offering complete support of the bill; a wire from Alaska Wood Products, Inc., Tacoma, Wash., supporting the bill; a wire from John O'Daly, president of Alaska Lumberman's Association, Ketchikan, strongly endorsing the bill; and a letter from Hon. W. K. Boardman, speaker of the House of Representatives, Alaska State Legislature, in support of the bill and offering a resolution of the Alaska State Legislature which may have been presented here earlier by the Assistant Attorney General Regan. (The statements follow:)

ALASKA STATE LEGISLATURE,  
HOUSE OF REPRESENTATIVES,  
May 3, 1967.

Hon. E. L. BARTLETT,  
U.S. Senator,  
Senate Office Building, Washington, D.C.

DEAR SENATOR BARTLETT: I note that you will be conducting hearings on May 10th and 11th with respect to Congressional Legislation in the form of S. 292 calling for certain waiver provisions in the Jones Act as it pertains to American truck traffic operating between the Continental United States and Alaska using the B.C. ferry and highway systems.

As Speaker of the Alaska State House of Representatives I wish to further associate the Alaska Legislature in endorsing this important bill being considered by your Merchant Marine & Fisheries Subcommittee. In your capacity as Chairman of the Subcommittee we would greatly appreciate your entering into the official record of the hearing the attached House Joint Resolution No. 22 passed by the 1967 Alaska Legislature "Relating to shipping restrictions affecting the Alaska and British Columbia ferries".

House Joint Resolution No. 22 specifically endorses Senate Bill 292 and we apologize for only sending a photo copy of same for inclusion in the Hearing record. However, your office should have been serviced with an official copy of the enrolled resolution and, if so, it might be more appropriate as a supporting exhibit.

Please advise if any further endorsing actions will help your cause on this important Legislation. We are urging various Ketchikan organizations to similarly convey their endorsement of S. 292 to you for inclusion in the hearing record.

Yours very truly,

W. K. BOARDMAN,  
House Speaker.

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KETCHIKAN, ALASKA, May 5, 1967.

Hon. E. L. BARTLETT,  
U.S. Senate,  
Senate Office Building,  
Washington, D.C.:

Strongly endorse Senate bill 292 amending section 27 of Jones Act. While this will not solve Alaska's transportation problems it will at least allow movement of truck shipments to southeastern when Highway No. 16 is closed or impassable due to flood, snow, ice, or other restrictions.

JOHN O. DALY,  
President, Alaska Lumbermen's Association.

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TACOMA, WASH., May 11, 1967.

Senator E. L. BARTLETT,  
Chairman, Subcommittee on Merchant Marine and Fisheries,  
Senate Commerce Committee, U.S. Senate, Washington, D.C.:

Alaska Wood Products, Inc., strongly urges the amendment to the Jones Act to permit motor carriers to carry cargo between points in the United States on Canadian ferries. You are familiar with the difficulty of the high costs of Alaska construction. Transportation is a major factor in these costs and a combination of the Canadian and Alaska ferries could substantially reduce the construction costs. Our recent experience in attempting to send a truck with material from

Tacoma, Wash. to Wrangell, Alaska via the Canadian ferry emphasizes the desirability of permitting the use of these ferries.

HARRY C. LIND,  
*President, Alaska Wood Products, Inc.*

HARBOR SEAFOODS COMPANY, INC.,  
*Wrangell, Alaska, May 3, 1967.*

Senator E. L. BARTLETT,  
*U.S. Senate, Washington, D.C.*

DEAR SENATOR BARTLETT: I wish to take this opportunity to inform you of our complete support of the Jones Act Amendment bill sponsored by yourself and Senator Gruening on which hearing will begin May 10th.

In the past year we have had firsthand knowledge of the problems involved in trucking over the B.C. 16 route. A year ago we were forced into the trucking business as a private carrier of our own freight by reason of the Alaska Steamship Company's curtailment of service to Wrangell to a twice monthly basis. We found it impossible with our construction program on our new cold storage facilities to operate on a twice monthly basis with a constant need for materials and other supplies for our cannery operations. Then, too, we realized it would create a real problem to hold our salmon two weeks before shipping since our warehouse facilities wouldn't be ready for use until late August. Therefore, we had no alternative but to enter into trucking on our own. We operated two trailers and one tractor from March through October as a private carrier, at which time the ICC granted us temporary authority as a contract carrier and we entered into a contract with City Market, Inc., to haul general commodities for their account. We have been operating since that time on temporary authority basis and have since applied for permanent authority and also asked for permission to include, at their request, the Wrangell Lumber Company as a shipper of critically needed mill and logging supplies. We have been operating our truck on approximately a weekly basis and we find that it has become a very important part of our salmon and shrimp operations. Especially so since our new cold storage and warehouse facilities built under a Local Development Corporation loan last year has added to our need for this type of service. Being able to ship our products out and to bring necessary supplies in on a weekly basis with the ability to have our driver pick up items in the Seattle area at the last moment before loading results in a real saving to us in time during the busy summer packing season.

We feel that an amendment of the Jones Act will be of an unestimable value to us in many respects. The most important being the resultant reduction in over the road maintenance on tractor and trailers. The upper end of B.C. 16, namely the area between Prince George and Prince Rupert much of which is still gravel road and is being constantly worked on, creates a real problem maintenance wise on tires and equipment.

Another factor which must be considered is the high insurance rate that applies to this type of equipment over this type of roadway with its hazardous driving conditions in winter and high loss ratio on equipment. Then, too, of utmost importance is the fact that you are covering almost twice the distance by road as compared to the trip from Seattle to Kelsey Bay, then via the Canadian ferry to Prince Rupert with the major cost of the maintenance involved in the last three hundred miles of B.C. 16. Another very important cost item that will be eliminated by being able to use the B.C. ferry is the fact that one driver can be eliminated with the short run involved from Seattle to Kelsey Bay. The hazardous winter driving conditions will be eliminated, heating the van in the below zero temperatures that are prevalent on this route will no longer be needed, costs of over the road operations will be more stable since the major part of the mileage will be by ferry at a fixed cost with little or no maintenance involvement for this part of the trip, scheduling will be much easier for most of the year, and the mileage by road will be on main paved highways.

In my estimation this will not only be a benefit to everyone involved, the trucking industry, the B.C. ferries, and the Alaska State ferry, but to the people of Southeastern Alaska as a whole by faster, more economical service, better schedules, etc.

We therefore heartily endorse your efforts in our behalf by sponsoring the Jones Act Amendment bill and sincerely hope that this will result in this bill becoming law through your efforts.

Sincerely yours,

BEN ENGDAL,  
*President.*

KETCHIKAN, ALASKA, *May 5, 1967.*

Hon. E. L. BARTLETT,  
*U.S. Senate, Senate Office Building,  
Washington, D.C.:*

Would appreciate your continued support of Senate bill 292 amending section 27 of Jones Act. Transportation to and from Alaska has always been major factor in cost of operating in Alaska and the alternate routing offered by use of Canadian ferries for truck shipments should be a means to minimize costly delays of goods in transit when regular routes suffer from disruptions.

E. W. BORGES,  
*Vice President, Ketchikan Spruce Mills.*

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KETCHIKAN CHAMBER OF COMMERCE,  
*Ketchikan, Alaska, May 4, 1967.*

Hon. E. L. BARTLETT,  
*U.S. Senate, Senate Office Building,  
Washington, D.C.*

DEAR SENATOR BARTLETT: For your information the following action has been taken by the Transportation Committee and the Greater Ketchikan Chamber of Commerce:

The Greater Ketchikan Chamber of Commerce's Transportation Committee and the general membership meeting on May 4, 1967 does endorse the Senate Bill 292 amending Section 27 of the Jones Act and the Canadian Parliament proposed amendment of Section 671 of the Canadian Shipping Act. These proposed amendments would remove restrictions on the movement of merchandise on highway vehicles on the Alaska and British Columbia ferries. The Greater Ketchikan Chamber of Commerce membership feels that current restrictions are imposing undue hardship and obstacles on the economic development of the Ketchikan area and the State of Alaska.

We would appreciate your keeping the Greater Ketchikan Chamber of Commerce advised of the results of the May 10th hearing.

Sincerely,

CY STEERS,  
*Chairman, Transportation Committee.*

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KETCHIKAN, ALL AMERICA CITY 1957,  
*Ketchikan, Alaska, May 5, 1967.*

Hon. E. L. BARTLETT,  
*U.S. Senate, Senate Office Building,  
Washington, D.C.*

DEAR SENATOR BARTLETT: The City Council, at their official meeting on May 3, instructed me to convey their endorsement of Senate Bill 292 amending Section 27 of the Jones Act.

It is respectfully requested that the City's action be made a part of the official record of the hearing to be held May 10 and 11 with respect to this legislation.

Please advise if any further action on the part of the City Council will help in furthering the cause of this important legislation.

Very truly yours,

JAMES R. EIDE,  
*City Manager.*

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CITY OF SKAGWAY,  
*Skagway, Alaska, May 3, 1967.*

Senator E. L. BARTLETT,  
*U.S. Senate, Washington, D.C.*

DEAR SENATOR BARTLETT: The Common Council of the City of Skagway would like to go on record as approving S. 292, a bill to amend the Jones Act to exempt from its provisions certain transportation of merchandise which is in part over Canadian Highways.

Yours truly,

EDWARD C. HANOUSER,  
*Mayor.*

KETCHIKAN, ALASKA, May 17, 1967.

Senator E. L. BARTLETT,  
 Chairman Merchant Marine and Fisheries, Subcommittee  
 U.S. Senate, Washington, D.C.:

Gateway borough assembly does with this telegram officially notify you that it supports the amendment to the Jones Act as proposed in S. 292.

DONALD E. KING,  
 Borough Chairman.

PUGET SOUND TUG & BARGE CO.,  
 Seattle, Wash., May 12, 1967.

Hon. E. L. BARTLETT,  
 U.S. Senate,  
 Washington, D.C.

DEAR SENATOR BARTLETT: Enclosed is a statement to the Merchant Marine and Fisheries Subcommittee regarding Bill S. 292. We respectfully request that this statement be submitted to the Committee at the hearing scheduled for May 18th. Thank you.

Sincerely yours,

JOHN H. LEE,  
 President.

#### STATEMENT TO THE MERCHANT MARINE AND FISHERIES SUBCOMMITTEE

Our company, Puget Sound Tug & Barge Company, has operated a tug and barge service from the West Coast of the United States to Alaska for a number of years and has engaged in common carrier operations through the Puget Sound-Alaska Van Lines container barge service, and presently the Hydro-Train service. We have been protected in this trade against foreign competition by the Jones Act and have made substantial investments in American-built equipment over many years to supply this trade route. If changes are to be made in the existing rules so that foreign flag vessels can engage in this trade, a thorough study of the entire subject should be made and there should be no piecemeal action taken that might establish a precedent elsewhere until a thorough study is made of the matter.

We oppose Bill S. 292 not so much to oppose the activity it seeks to change, but on the basis that it is part of a larger subject that should be given considerable study. The specific activity that S. 292 attempts to change is based on the principle of service from the Puget Sound area to southeastern Alaska via Canadian ferries.

We have recently completed the construction of six new 200' barges of approximately 2,000 ton capacity each, which we built for the intended purpose of carrying general cargo from the Puget Sound area to southeastern Alaska. The biggest cost of barge transportation to southeastern Alaska is the towage, and we feel we can perform this extremely economically because we intend to tow these new barges in tandem with our car float barges of the Hydro-Train service that runs twice a week from Seattle to Whittier, Alaska. The tugs towing these car float barges pass through southeastern Alaska and can tow the 200' barges in tandem with the large car float barges at a very economical cost. We feel that in the near future we can give southeastern Alaska an excellent and economical transportation system.

We understand that there are other companies planning to put in a similar service and we are confident the needs of southeastern Alaska for water transportation between the Puget Sound area and southeastern Alaska can best be served by tugs and barges, as we have described.

An occasional truck to Alaska via the Canadian Ferry will not make or break a regular and economical service to southeastern Alaska, but the principle of changing the basic rules of the game should be studied thoroughly from an overall point of view before any special action is taken as in this case.

Senator BARTLETT. We have a series of comments from the Federal agencies involved and more on the way.

Only today, a letter arrived from the Secretary of Transportation, Mr. Boyd, in support of the legislation.

Thank you gentlemen, very much, for your appearance.

Mr. MORRISON. Thank you very much, Senator Bartlett. We thank the committee for the opportunity of appearing today.

Mr. MALIA. Thank you, Senator Bartlett. I also appreciate the opportunity to appear before the committee.

Senator BARTLETT. We appreciate the opportunity to have had you here and if I haven't stated it already, let me state that you will have opportunity and ample time to send in any other comments you may care to make in writing as the hearing record will remain open for 2 weeks.

Mr. MORRISON. Thank you, sir.

Senator BARTLETT. The committee will be in recess.

(Whereupon, the committee was adjourned at 12:10 p.m., subject to call of the Chair.)

(The following information was subsequently submitted:)

RAGAN & MASON,  
Washington, D.C., June 1, 1967.

Re S. 292.

Hon. E. L. BARTLETT,  
*Chairman, Subcommittee on Merchant Marine and Fisheries, Committee on Commerce, U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: At the conclusion of the hearing on S. 292 before the Subcommittee on Merchant Marine and Fisheries held May 18, 1967, the Chairman allowed two weeks for the submission of comments on modifications of the bill which were made at the hearing.

On behalf of Sea-Land Service, Inc. we oppose as vigorously as we did the original bill the proposed modification to S. 292. This modification is again another inroad on the cabotage laws of the United States which can eventually lead to the destruction of the American-flag merchant marine. The proposed modification in no way will give to the people of Southeastern Alaska a solution to their real problem, namely the need for regular, reliable transportation services. The modification will result in a skimming of the cream by the trucking services, leaving the less desirable cargoes for the water carriers which will in turn have to increase charges on basic commodities to move such cargoes to their destination. The net effect of this modification to the original bill will in fact impose a hardship on the people of Southeastern Alaska, indeed one greater than they have now.

We submit that the only solution which is permanent and upon which the people of Southeastern Alaska can rely is a service by a U.S.-flag carrier. Sea-Land, as we stated at the hearing, is ready to institute this service on a weekly basis as soon as adequate dock facilities are installed. This service could not be instituted if S. 292 is enacted.

With respect to the language of the bill as modified we have the following additional comments. As modified, S. 292 would be limited to the use of "Canadian passenger and motor vehicle ferry systems providing service between points in British Columbia. . . ." In addition the only part of Alaska which would be covered would be the "Southeastern part thereof." This area would be defined, in a Committee report, as the first five election districts of Alaska as provided in the State Constitution. However, even as modified, merchandise could move beyond this area of Alaska to the rail-belt by over-the-road carriers. This would mean additional and effective foreign flag competition to the rail-belt. For this reason, Sea-Land suggested at the hearing, and we now resubmit for consideration, a requirement which would limit the bill to the problem. That is, the only merchandise to be allowed under this exception should be merchandise "the ultimate consignee of which is located in Southeastern Alaska."

The modified bill would also remove the requirement that the movement be "over through routes heretofore or hereafter recognized by the Interstate Commerce Commission for which routes rate tariffs have been or shall hereafter be filed with said Commission."

This modification, while it may not affect the jurisdiction of the ICC, opens this movement to unregulated carriers and would present possible enforcement problems.

Respectfully submitted,

GERALD A. MALIA,  
*Attorney, Sea-Land Service, Inc.*

## STATEMENT OF D. E. SKINNER, PRESIDENT, ALASKA STEAMSHIP COMPANY

Since 1895 Alaska Steamship Company has been providing ocean transportation for Alaska. One of our basic Company goals is to grow with Alaska. I confirm the statement of the Honorable Howard W. Pollock, Representative from the State of Alaska, that Alaska Steamship Company does not oppose legislation to allow shipments on the British Columbia ferry. We do not oppose S. 292.

Alaska Steamship Company and the following provide water transportation to Southeastern Alaska:

A B C Towing Co.  
Alaska Outports Transportation Association.  
Boyer Towing Co.  
Foss Launch & Tug Co.  
Northland Marine Lines, Inc.  
Washington Tug & Barge Co.  
White Pass and Yukon Route (3rd proviso, Sec. 27).  
Air Lines.  
Contract barge operators.  
Motor carriers using Alaska State Ferry System.

Mr. J. Scott Morrison, Vice President of Traffic, Sea-Land Service, Inc. has stated that Sea-Land is prepared to institute a weekly service to one Southeastern port on the Alaska Ferry System route, if the State is willing to provide extensive new terminal facilities to accommodate the service. Alaska Steamship Company now serves all the principal ports of Southeastern Alaska. We fully agree as to the need for improved ocean terminal facilities. Our position is set forth in detail in our advertisement in the NEW ALASKAN of May 1967, copy appended.

In summary:

Alaska Steamship Company does not oppose S. 292.  
Alaska Steamship Company is not a monopoly.  
Alaska Steamship Company advocates the public construction of ocean terminal facilities adequate to serve the needs of all Alaska.

[From New Alaskan, May 1967]

## OF SHIPS AND PLANES

Docks and ocean terminal facilities are to ships what airstrips and related facilities are to planes. It is no more possible to provide modern air transportation to an area than modern ocean service without adequate port facilities.

The necessity of keeping airports abreast of air carriers is apparent. Consequently, when Boeing announces a new plane, like the 747, you see immediate activity on the part of alert airport and government officials, preparing for the inevitable—the first landing of that jet.

In this respect, it was interesting to see the Alaska State House Finance Committee report covering airport improvement projects—\$9,164,000, matched by \$13,762,000 in federal funds for a total of \$22,926,000.

This involves all types of facilities including trunk lines, secondary and bush. The total package is provided by governmental agencies and the capital outlays are entirely underwritten by tax dollars, which is a reasonable, well-recognized and customary way of providing for such facilities so essential to the well-being and growth of an area.

I don't think anyone would argue with the statement that air transportation is essential to the economic well-being and growth of Alaska. Would anyone argue with the statement that ocean transportation is also? I think not. Yet, here we have \$23,000,000 in taxes for airport facilities and not a cent for ocean terminals.

Elsewhere throughout the States it has become the responsibility of city, county or state agencies to provide both airport and seaport facilities as a means of attracting carriers and cargo and related business activity. Right now the ports of Oakland, San Francisco and Seattle are rushing to completion huge new terminals to be prepared for the transpacific vanship operations now developing.

Anchorage and Kodiak are examples of two Alaskan municipalities that have assumed the obligation of providing adequate ocean terminal facilities. For other areas interested in business expansion and development, such facilities are as essential as equipping a store with a door.

D. E. SKINNER,  
President, Alaska Steamship Co.

CANADIAN EMBASSY,  
Washington, D.C., June 6, 1967.

Senator ERNEST GRUENING,  
Committee on Interior and Insular Affairs,  
U.S. Senate, Washington, D.C.

DEAR SENATOR GRUENING: I refer to your letter of April 26 requesting further information on exceptions now in effect with regard to the coastal shipping clauses of the Canada Shipping Act. Attached is a list of all the vessels used in the coasting trade during the Canadian fiscal year, April 1, 1966-March 31, 1967, for which a waiver of Section 673 of the Canada Shipping Act was obtained with the concurrence of the Canadian Maritime Commission.

In addition to the vessels given in the attached list, it has, for a number of years, been the practice for the Governor in Council to waive Part XIII of the Canada Shipping Act and also grant a remission of the Customs duty otherwise payable on vessels used by the Alaska State Ferry System, Ritchie Transportation Company and the Stikine Transportation Company when they are used for the sole and exclusive purpose of transporting day to day supplies, perishables and emergent goods from Prince Rupert, British Columbia to the Stikine River area. The terms of this authority also enable the vessels to transport all other cargo when the services of vessels eligible to engage in the coasting trade are not available.

Another authority approved each year by the Governor in Council enables United States Government-owned vessels leased to Northern Transportation Company to transport United States Government goods of both United States and Canadian origin to the Distant Early Warning Sites located in this country. This authority provides not only waiver of Part XIII of the Canada Shipping Act but all Customs duties are again remitted.

I hope that this more detailed information will satisfactorily meet your requirements.

With best wishes,  
Yours sincerely,

Dorothy Burwash  
H. D. BURWASH, *Counselor.*

<i>Vessel</i>	<i>Terms of waiver and conditions of use</i>
MV <i>Anco Stream</i> -----	Used by Crosbie and Company Ltd. for the transportation of 300 tons of seal oil and 300 tons of solubles from St. John's, Newfoundland to Montreal, Toronto and/or Hamilton.
MV <i>Syria</i> -----	Used by Golden Eagle Refinery Co. Ltd. to transport 120,000 barrels of Bunker "C" from Holyrood, Newfoundland to Montreal, Quebec.
MV <i>Polarhav</i> -----	Used by Geophysical Services Inc. for seismic marine exploration in Hudson Bay.
Dredge-----	Used by Champlain Dredge and Dock Inc., Cantic, Quebec to dredge shoreline of their own property in the Richelieu River near Lacolle, Quebec.
Fishing vessel <i>Geronimo</i> ----	Imported by Marineland of the Pacific for the purpose of attempting to capture a Killer Whale for training and scientific study at Palo Verdes, California.
SS <i>Dolomite</i> -----	Used by R. E. Law Crushed Stone Ltd. to transport stone from Port Colborne to Kingsville, Ontario.
SS <i>Rocket</i> -----	Imported by Cleveland Tankers Ltd. for use by Lakeland Tankers Ltd. to transport residual fuel oil from Sarnia to Sault Ste. Marie and Bronte to Marathon on behalf of major refineries.
SS <i>Sunvictor</i> -----	Imported by Saguenay Shipping Ltd. to transport 4,500 tons of bulk gypsum from Port Alfred, Quebec to Trinidad for transfer to a vessel eligible to engage in the Coasting Trade of Canada and ultimate delivery at Kitimat, B.C.
MV <i>Granefors</i> -----	Imported by Federal Commerce and Navigation Ltd. to transport gypsum from Little Narrows, N.S. to Montreal, Quebec.

<i>Vessel</i>	<i>Terms of waiver and conditions of use</i>
MV <i>Atrotos</i> -----	Imported by Shipping Ltd. to haul bunker fuel oil to Toronto and/or Hamilton, Ontario on behalf of Liquifuels Ltd. on two occasions.
SS <i>Robert J. Paisley</i> -----	Imported by Hall Corporation of Canada to transport approximately 5,800 tons of gypsum from Toronto to Picton.
SS <i>Bussum</i> -----	Imported by Canadian Import Ltd. on behalf of Imperial Oil Co. Ltd. to transport furnace fuel oil from Montreal to Quebec City.

CONGRESS OF THE UNITED STATES,  
HOUSE OF REPRESENTATIVES,  
*Washington, D.C., June 2, 1967.*

Re S. 292.

HON. E. L. BARTLETT,  
*Chairman, Senate Subcommittee on Merchant Marine and Fisheries,  
Senate Office Building, Washington, D.C.*

DEAR MR. CHAIRMAN: At the May 18, 1967, hearing on the above bill, a committee draft was suggested as a possible substitute. I believe the draft has certain advantages over the original. In this connection, I would like to associate myself with views expressed in the statement of Governor Hickel. As the Governor stated, the substitute text eliminating the ICC filing requirement allows the occasional shipper to benefit from the law while restricting its applicability to specific points on ferry systems and would thus tend to make the bill more acceptable to parties such as Sea-Land, Inc.

I would, therefore, like to go on record favoring the draft prepared by the committee staff.

Cordially,

HOWARD W. POLLOCK,  
*Congressman for Alaska.*

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imported by shipping bills to land (under bill) to Toronto and/or Hamilton, Ontario as bill of lading, but on the occasion of importation by Bill Government of Canada to land, you approximately \$200,000 of exports from Toronto to Paris.

Importation of goods under bill of lading to land (under bill) to Toronto, Ontario, and from Montreal to Toronto.

London and the United States  
 Home and Foreign  
 The London, W.C. 1902

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Howard W. Lockwood  
 Secretary for Air

Committee  
 Ontario



